ANNUAL REPORT 2017

"So we need two things: first, we need ways of predicting and detecting disease well before it becomes life threatening; and second, we need medicines that work for you and your unique body."

Pieter Cullis, The Personalized Medicine Revolution - How Diagnosing and Treating Disease Are About to Change Forever

Esperite brings the potential of personalized medicine to society setting the possibilities of tailored treatments and higher healthcare standards.

CEO
Statement

2017 has been a year of difficult, yet necessary, decisions aimed at the positive evolution of the Company. Esperite redesigned the foundations for a sustainable and profitable future with diversification and growth.

My main priority was to oppose and attempt to reverse the trend towards a worsening financial position of the Company.

Esperite had to manage an uncomfortable financial position, business uncertainty affecting most of our segments of activity. We have lost one of our active and prominent subsidiaries. We have fought for an improvement of the profitability and optimized our international footprint.

We have accordingly undertaken an ambitious range of structural actions and decisions that are transforming most of Esperite's business, and its financial and operational structure.

I would like in perfect transparency to convey what we have achieved as a Group, as companies and as individuals, which are all confident and certain about the strategy we elaborated and the direction we followed.

Without the dedication of our team, none of the goals would be at reach and I thank our team for their dedication to our Company's success.

We have analyzed and diagnosed the reasons why the financial performance has declined over the last years.

We have investigated our organization and implemented measures supported by strong guidelines in order to bring new methods to our organization.

We have looked for external financial support and found a strong supportive partner which has contributed to the development of our strategy and secured our future plans. The first investment contract, signed in 2017 has not been exhausted yet and we anticipated the needs for 2018 / 2019 by recently signing a second contract of investment with the same financial partner.

Our future plans are structured into major needed implementations which are marketing and sales strategy , improved competitiveness, cost reduction, diversified product portfolio, and cultural change .Today, we are late publishing our 2017 annual report but in this fall 2018, Esperite is a group of companies with a different culture and configuration more structured now and better organized.

Stem Cell, the cord blood and tissue activity of the Company, established 18 years ago is the largest stem cell bank in Europe. Despite a challenging commercial environment revenue declined in a global stable or slightly declining market, Stem Cell is EBITDA positive with 71% of the consolidated revenues. We took the difficult decision to terminate several distribution agreements with partners in some countries which were loss making or cash flow negative.

We have redefined our geographic footprint, optimized the teams, adjusted the balance between B2B and B2C and brought in sophisticated commercial tools. The Stem Cells segment has now a profitable operation and is able to demonstrate a positive trend.
Esperite invested early 2015 in the predictive medicine business and rapidly mastered important technologies of bioinformatics for genetic tests and diagnostics. Genoma is now a recognized actor.

We lost one of our main subsidiary in Switzerland and therefore large trunks of revenues which caused to Esperite, significant losses.

Genoma has been severely hurt by a legal procedure initiated by a US competitor for patent infringement as we were using a technology offered by our former UK partner.

Our mission as a Company is to empower the global population with a proactive approach to health.

Genoma is now active in both reproductive health and in oncology. Our subsidiary has continued its investment in research and development and has now acquired an even more prominent position with its Genetic Diagnostic Systems.

We are a passionate and truly committed team with a clear mission to help people have a better knowledge about their health and the one of their family, by providing simple, reliable and affordable services. Genoma provides families and doctors with information at the right timing leading to appropriate medical decisions.

When it comes to Cancer, precision medicine is key to properly define the appropriate personalized medicine. When the disease is due to deleterious mutations in specific genes that induces the cells to grow in an uncontrolled and abnormal manner, Cancer is killing normal cells and has the potential to spread to other parts of the body.

Esperite launched AGAATA™, after two intensive years of investment, research and development.

AGAATA™ is an integrated Data-Driven Medicine System to analyse chromosomes and genes with high resolution to deliver clinical reports established with Artificial Intelligence capabilities linking geneticist and clinician communities.

AGAATA™ facilitates prevention, diagnostic and personalized treatment in the fields of reproductive health and cancer. AGAATA™ is an exclusive and disruptive diagnostic system, CE-IVD certified and able to cover the largest range of clinical genetic diagnostic. It thus helps clinical teams in private and public medical institutions in Europe to deliver accurate clinical genetic diagnostics.

The third pillar in which Esperite invested in 2017 is The Cell Factory located close to Antwerp in Belgium, nest of the biotechnology valley. The Cell Factory is the only company to announce the first in man clinical trial for the immunotherapy treatment of Crohn Disease with Micro-Vesicles.

Esperite believes that this technology brings the potential of stem cells to patients more effectively and without the limitation of compatibility and difficulties to implement.

I strongly believe that with all the new developments we will be in a better position to create a long term value for our shareholders. Esperite must now come forward with a financially stronger and better-balanced organization.

Although the path has been longer than expected, our team of passionate professionals maintains the effort toward success.

Frederic A. Amar
CEO

Content

FINANCIAL
REVIEW

Key financials
for 2017

	2017 € m	2016 € m
Revenue	**16.6**	26.3
Gross profit	**10.9**	14.7
Marketing and sales expenses	**5.3**	8.9
General and administrative expenses[1]	**10.1**	10.8
EBITDA	**-4.5**	-5.0
Depreciation	**1.5**	1.5
Amortization	**1.3**	1.4
Impairment loss[2]	**5.6**	1.0
Operating result	**-12.9**	-8.9

1 General and administrative expenses do not include depreciation, amortization and impairments.
2. Impairment loss 2017 relates mainly to goodwill regarding the Stem Cell segment, intangible assets of Genoma SA and building in Niel (Belgium). Impairment 2016 relates to trade marks.

Revenue
Group revenue decreased by € 9.7 million to a level of € 16.6 million. Sales of Genoma decreased by € 3.1 million where Stem Cell decreased by € 6.0 million. Revenue relating to the segment Other decreased by € 0.6 million.

The number of new cord blood samples stored for the year 2017 amounted to 6,600 (2016: 11,500), whilst the number of new cord tissue samples stored was 5,100 (2016: 8,700), resulting in 11,700 new samples stored in 2017 (2016: 20,200). The percentage of cord tissue samples expressed in the number of cord blood samples increased from 75% in 2016 to 77% in 2017. The increased conversion rate indicates that the interest for the combined service keeps increasing.

The decrease of Genoma sales is mainly due to the liquidation process of Genoma SA, which affected more than expected the business and the image of the Group. Stem Cell decreased mainly due to changes made in commercial teams. The Company has terminated inefficient distribution agreements and replaced them by internal and better controlled sales teams. In contrary some new distribution agreements have been concluded. Due to these changes and the later than expected financing arrangement, market development was impacted.

Gross profit and gross profit margin
Although lower revenue, gross margin increased from 56% in 2016 to 66% in 2017. The increased margin is mainly the result of the aforementioned termination of inefficient distribution agreements. Also the effects of project Galaxy are visible by the increased margin.

Operating expenses

	2017 € m	2016 € m
Marketing and sales expenses	**5.3**	8.9
Research and development expenses	**-**	-
General and administrative expenses	**10.1**	10.8
Total	**15.4**	19.7

Total operating expenses decreased significant mainly due to a decrease in the marketing and sales expenses. The change in commercial teams affected the number of employees in marketing and sales and making less use of commission based sales representatives lowered the marketing and sales cost significantly. In 2016 and 2017 all cost in research and development were capitalized. These costs mainly relate to product development and IT. Overall General and administrative expenses decreased due to further cost savings except for the cost related to provisions for doubtful debts which increased.

EBITDA
Although revenue decreased and operating result is still negative the quality of the EBITDA has improved. Cost control, higher level of efficiency of the laboratory facilities and the newly configured sales teams are the main pillars in this respect.

Operating result
Operating result amounted to €-12.9 million (2016: €-8.9 million). The decrease is due to an impairment loss recognized amounting to € 5.6 million (2016: € 1.0 million).

Depreciation amounted to €1.5 million (2016: €1.5 million), and amortization amounted to €1.2 million (2016: €1.4 million).

The impairment relates to goodwill, the facility in Niel, intangible assets regarding Genoma SA which have been impaired following the liquidation and lab equipment located in Portugal.

Net finance cost/income
Net finance result remained stable at €-0.7 million (2016: €-0.6 million). The liquidation of Genoma resulted in a financial gain amounting to €3.1 million because the net equity after deducting the intercompany loans was negative. On the other hand the allocated interest as a result of the financing Arrangement by European Select Growth Opportunities Fund amounted to €-3.2 million.

Result before taxation
The result before taxation amounted to €-12.9 million (2016: €-9.7 million).

Result for the period
The result after taxation was € -12.9 million (2016: € -8.9 million). In 2016 the balance of capitalized deferred tax assets amounted to € 2.2 million against € 1.9 million for 2017.

Cash flow
Net cash from operating activities amounted to € -3.5 million (2016: € 1.3 million). Working capital financing was replaced by financing provided by European Select Growth Opportunities Fund.
Investments in property, plant and equipment amounting to € 0.2 million (2016: € 0.4 million) mainly relate to laboratory equipment. Investments in intangible assets € 0.5 million (2016: € 1.0 million) mainly relate to capitalized internal generated cost for development and software.

The financing cash flow amounted to € 4.5 million (2016: € -0.1 million) and consisted of the financing provided by European Select Growth Opportunities Fund.

As at 31 December 2017, Esperite had a cash position amounting to € 0.7 million (31 December 2016: € 0.4 million).

Consolidated balance sheet

	2017 € m	2016 € m	Variance € m
Total non-current assets	**25.7**	33.5	(7.8)
Total current assets	**8.2**	9.0	(0.8)
Total equity	**0.9**	6.7	(5.8)
Total non-current liabilities	**18.4**	19.4	(1.0)
Total current liabilities	**14.6**	16.4	(1.8)

Total non-current assets
The variance in non-current assets mainly relates to the impairment recognized and also regular depreciation in combination with limited investments. Deferred tax asset in total decreased by € 0.3 million. The impairment of the deferred tax asset at the level of Genoma SA was partly compensated by the newly recognized deferred tax assets regarding carried forward losses by Stem Cell and Genoma.

Total current assets
Current trade and other receivables decreased by € 1.1 million mainly due to a decrease of the sales relating to Stem Cell.

Cash and cash equivalents amounted at the end of the year to € 0.7 million (2016: € 0.4 million).

Total equity
Total equity decreased by € 5.8 million to € 0.9 million. On one hand the loss for the period amounting to € 12.9 million decreased equity where the issuance of new shares due to conversion of the newly provided financing increased equity amounting to € 7.1.

Total non-current liabilities
Total non-current liabilities decreased by € 1.0 million. The main changes were caused by the release of provision for negative equity regarding equity accounted investees (€ 0.3 million), release of pension provision (€ 0.3 million) and a release of deferred tax liabilities amounting to € 0.3 million.

Total current liabilities
Total current liabilities decreased by €1.8 million from € 16.4 million to € 14.6 million at 31 December 2017. The decrease was mainly the result of replacing working capital financing by the financing arrangement provided by European Select Growth Opportunities Fund.

Events after the reporting period
After 31 December the following subsequent events occurred which are relevant to the understanding of this financial review:

- The Company extended its financing arrangement with European Select Growth Opportunities Fund by € 5million.
- Cryo-Save Labs, the legal entity in which the facilities in Niel (Belgium) are recognised has been disposed of early 2018 to a related party. The rational for this transaction was to limit working capital consumption as the facilities were financed by a sale and lease back arrangement.
- The Company had to publish and simultaneously file it annual financial reports with the Autoriteit Financiële Markten (AFM) within four months after the end of the financial year. The Company did not fulfil this requirement.

Further information regarding the subsequent events mentioned above can be found in disclosure note 42 of the financial statements

Going Concern
Esperite Group manages different independent entities focused on regenerative and predictive medicine. For each of the independent entities a budget has been prepared. These budgets have been extensively discussed and have been approved by the Board of the Company.

The budget takes into account the financing obtained early March 2017. Esperite expects to gain from the investments made and future investments in market development which will result in increase of sales.

The consolidated budget includes the EBITDA for the segments and identifies the management cost of Esperite NV. The budget includes the existing businesses and new products or new activities already announced publicly.

Cryosave

Esperite anticipates an increase of the global stem cell business and it expects its revenues from successful stored samples to increase as a result of the investments made in market development.

Cryosave also distributes through its network some of the tests marketed by Genoma that are related to the Reproductive Health activity. Additional future growth of revenue will come from the introduction of new product lines like Whole Genome Sequencing, Carrier Screening Tests and other innovative products and opportunities linked to Cyrosave business. Cryosave continues to extend its territories into Ukraine, Bosnia and Norway.

The proceeds of revenue and savings from cost control will be used for market development opportunities and to reduce the current debt with suppliers.

Genoma

Genoma expects a positive development of its activities. The business model of Genoma is cash flow positive. Genoma has developed and successfully launched AGAATA™, a fully certified diagnostic system based on the Next Generation Sequencing technology (NGS). It allows laboratories to perform their own genetic analysis with the bioinformatics and exclusive methods developed by Genoma. Several contracts have already been signed with large laboratories and hospitals and will be extended in 2018. Two main suppliers support the distribution of AGAATA™ and its specific diagnostic tests.

New Business

WGS (Whole Genome Sequencing)

In January 2018 Esperite announced a partnership with the world's largest genome sequencing center. Esperite's new partner will provide the infrastructure and the technology for massive sequencing of the whole genome. The Whole Genome Sequencing (WGS) is the

grail of the genetic diagnostic technology. It allows the complete translation of every single information contained.
Once sequenced, the samples provided will be converted into raw data files and then analyzed by the technology developed by Genoma.
Cryosave will offer the WGS additionally to the current packages of services to its clients willing to store the stem cells of their children and Genoma will offer the WGS to its entire network of professionals, laboratories, hospitals and distributors.

CDMO (Contract Development Manufacturing Organization)

Esperite has established a new business unit offering a CDMO service. "TCF-CDMO" Company (a temporary name) is established as an independent legal entity in Belgium (Niel) and in Switzerland (Geneva). The aim of the project is to create a new value using the existing resources and infrastructure of the Esperite Companies. In particular, the infrastructure available at the Cell Factory in Niel will be used for GMP (Good Manufacture Practices) manufacturing of the EVs (ExtraCellular Vesicles) biologic drugs and the ATMPs (Advanced Therapy Medicinal Products) products. TCF-CDMO company will be operational in a short time with limited investments. CDMO company is focused on the niche service in the EVs field as communicated on in March 2018.

Cash position and cash flow projection

The cash position of Esperite increased from € 0.4 mio (31 Dec 2016) to € 0.7 mio as per 31 December 2017.

In March 2017, Esperite concluded a new financing arrangement of up to € 13 million to support its commercial activity and development of innovative technologies for Genoma and regenerative medicine for Cryo-Save and Cell Factory. The investor is European Select Growth Opportunities Fund, a fund based in Australia and managed by L1 Capital Pty Ltd.
The financing arrangement consists of a private placement of € 1 million launched on 8 March 2017 through the issuance of convertible notes with share subscription warrants attached. Furthermore, this financing arrangement consists of a maximum additional potential financing of up to € 8 million through similar further private placements of convertible notes with share subscription warrants attached over the next 36 months, subject to fulfilment of certain conditions. Upon the exercise of all share subscription warrants, the total investment can reach € 13 million. For the details about the main characteristics and conditions to this financing arrangement reference is made to note 31.
Total amount received under the financing program for 2017 amounted to € 4.3 million in shares and € 0.2 million in share subscription warrants. At the end of 2017 € 4.7million of the convertible loan notes facility was available. In addition, € 3.8 million under the share subscription warrants are potentially available.

In June 2018 an extension of the financing arrangement with European Select Growth Opportunities Fund has been concluded. The extension, with similar conditions as the current arrangement, has a term of 24 months and amounts in total up to €7.3 million.

Preliminary EBITDA until 30 June 2018 is in line with budget and still negative. Esperite is expecting to be able to increase EBITDA and turn it positive in the foreseeable future. The negative EBITDA until now has been financed by the ongoing contributions from European Select Growth Opportunities Fund. The expected tranches of the additional financing from European Select Growth Opportunities Fund are planned according to best estimate. The new businesses are expected to be cash flow neutral. The EBITDA gained with these activities will be invested in new developments.

Going concern assessment by Management

For the Group to operate as a going concern, it is clear that meeting the budget expectations of existing and new business together with the timely available cash from the investor European Select Growth Opportunities Fund is the key to success. Although the issuance of the tranches is depending on meeting the covenants, the Company anticipates that the funding will be available in time. In case of breach of covenants the investor needs to waive these covenants. Although the Company breached the covenants since May 2017 the investor maintained its investments in the Company. Management expects that in case of breaching the covenants, the investor will continue with its investments in the Company.

Extensive efforts have been put into evaluating budgets and forecasts on the most recent available market information. The budgets and forecasts underlying the going concern assessment anticipate an increase of the stem cell and Genoma business for 2018 compared to 2017.In the second half of 2018 the business is expected to grow due to effects of the market development which are being initiated.

Management anticipates a further recovery of the profitability in CryoSave and to substantially improve the results of Genoma during 2018 based on the aforementioned expectations and new business initiatives.

Management has confidence to meet those expectations. This outcome however is uncertain as a major part of the anticipated revenues are not yet confirmed. Management also refers to note 20 in the financial statements on Intangible Assets and impairment testing and to note 24 Deferred tax assets and liabilities which describes the impact of the aforementioned uncertainties on the valuation of these balance sheet items.

As per 31 December 2017, the Company had €0.7 million cash and cash equivalents available.

In order to execute on the new strategy of the Company, Management acknowledges that the free available cash is not sufficient at the moment.

Going concern is mainly dependent on meeting budgets and forecasts. Notwithstanding the specified uncertainties Management is of the opinion that the application of the going concern assumption for the 2017 financial statements is appropriate, based on the following facts and circumstances:

- The Company expects growth for the existing business of CryoSave and Genoma
- Although current Group EBITDA is negative, management expects sufficient liquidity to operate the business without interruption through the contribution by the investor European Select Growth Opportunities Fund.

Frédéric Amar
Chief Executive Officer

23 November 2018

GOVERNANCE

Chairman's statement

2017 was a challenging year for our major businesses. The loss of one of our important susidiaries, Genoma S.A. had a major negative impact on revenu and financial performance. As a result we had to realign our organisation and business model.

Cryo-Save, our leading international stem cell processing and cryopreservation company and the largest family stem cell bank in Europe, that stores today some 300,000 samples from umbilical cord blood and cord tissue, was further reorganised and its organisation and sales channels adjusted to changed market conditions.

Genoma, the company that markets innovative tests on sequencing and genomics is benefitting from further developing its product line and its clinical genetic laboratory in Geneva. The introduction of AGAATA™, a high tech diagnostic system analyzing chromosomes and genes, is a technical breakthrough in genetic diagnostics.

The Cell Factory, the Company's R&D platform has been successfull in leading an international consortium for clinical translation of extracellular vesicles use in various therapies. It is the first to enter the market for immunotherapy treatment of crohn disease with micro-vesicles.

As a result of the adjustments in the organisation, the ralignment of sales channels and the investments in new products and business lines we closed the year with a loss, but we are confident that all these developments will eventually result to bring the Company back to profitability; the proceeds of the ongoing external financing arrangement will be used to further expand our commercial activities and to further develop innovative technologies in the fields of genetics and regenerative medicine.

During the reporting period, Esperite made further improvements on an organizational level. Support functions such as Human Resources, Information Management, Finance and Procurement have been simplified to provide enhanced services more efficiently.

Together with my non-executive colleagues, we are convinced that today's Esperite will prosper and develop its full potential, thus delevering high value to our Shareholders. Esperite is well positioned to grow with the world's demand for new healthcare models making its new generation products widely available and affordable to society.

On behalf of the entire Board, I would like to extend my sincere thanks to the employees whose efforts helped us all to achieve so much in 2017. The success of the Company is build on the skills, flexibility, professionalism and dedication of our people. I want to express my appreciation and gratitude for their commitment and contribution, for it is them who make us truly unique and succesfull.

Corporate Social Responsibility

ESPERITE takes full responsibility for the Group's actions and, through its activities, encourages a positive impact on the environment, customers, employees, communities and other stakeholders.

CryoSave Cost-Free Family Donation Program

Family and children's health is our number one priority.

The CryoSave Cost-Free Family Donation Programme offers families in need the collection and cryopreservation of their newborn's umbilical cord blood stem cells free of charge. This gives the opportunity to treat a family member diagnosed with a life-threatening disease treatable with stem cells and includes diseases such as sickle cell anaemia and some forms of Leukaemia.

Thanks to CryoSave's international reach and our local offices which are in touch with their communities, each of our country teams is striving to make a positive difference in their community. The Cost-Free Donation Program is promoted in every country where we are established.

Research collaborations

ESPERITE supports selected initiatives which have difficulties in obtaining proper funding for their projects via – among other – contributions in kind. The Group has research collaborations with several public and private hospitals in Spain, Italy, The Netherlands, Switzerland and Belgium.

Esperite only processes and stores adult stem cells collected from the umbilical cord blood and tissue immediately after the birth of a child. ESPERITE reconfirms that it is not involved in the research, storage or expansion of embryonic stem cells.

Social media

Within its restrictions as publicly listed Group, ESPERITE is an active participant in various social media, such as Facebook, Twitter, YouTube, Instagram and LinkedIn. The Group uses these platforms as a communication tool to keep the society at large informed on recent developments in the field of stem cells, and also to support local fund raising events, and raising money for families that can't afford a specific medical treatment.

Safety and health at work

ESPERITE recognizes worker safety as a basic human right and emphasises workplace safety's positive impact on working conditions, productivity, and economic and social development. ESPERITE has management systems to monitor workplace safety and health and to guarantee that workers are consulted, trained, informed and involved in the process.

Workforce diversity

ESPERITE's diverse workforce, made up of men and women of different cultures, generations, talents and backgrounds is one of our most valuable assets. We foster an inclusive work environment that values the different competences, experiences and perspectives of every employee.

Environmental responsibility

Waste management

ESPERITE's waste management program aims to reduce, reuse and recycle our waste materials in order to avoid any potential negative effects on health and the environment. ESPERITE attempts to reduce waste by reducing the creation of waste material in the first place, followed by separation and collection of waste materials for reuse, recycling or disposal. Our medical waste is managed as per ESPERITE's Standard Operating Procedures and is controlled via certified medical waste disposal companies.

Paperless offices

ESPERITE is making a concentrated effort throughout the Group and all its facilities to eliminate, or at least reduce substantially, the use of paper. Going paperless saves money and space, boosts productivity, facilitates electronic documentation and information sharing and minimizes environmental damage. Our information systems are being designed in such a way to adhere to the concept of paperless offices as much as possible.

Board of Directors

Frederic Amar (Male, French, 1964)
Executive Director and CEO

Frederic Amar joined the Group's Board as Non-Executive Director in November 2013 and was appointed Executive Director and CEO in March 2014. Mr. Amar has a strong scientific background and a successful track record creating and managing companies. In 1995 Mr. Amar founded ATelecom S.A., a national fully licenced private telecom operator concentrated on business customers and consumers, which after successful growth was sold in March 2000.In addition to other companies, he founded a Real Estate Investment Trust (REIT) in 2005 specialised in real estate investment and management. In November 2011 Mr. Amar also founded Salveo Biotechnology S.A., a Geneva based private laboratory specialised in stem cells cryopreservation and cell culture and involved in cellular therapeutic applications research, with a presence in Italy, Spain, Switzerland, Portugal and Ukraine.

Mr. Amar holds a degree in Crystallography and a degree in Pharmacy (Pharm.D.) from the Université de Pharmacie of Marseille.

Because of his share interest in the Group, Mr. Amar is not considered to be independent in the meaning of the Dutch Corporate Governance Code.

Gert-Jan van der Marel (Male, Dutch, 1948)
Non-Executive Director, Chairman of the Board

Gert-Jan van der Marel joined the Group´s Board as Non-Executive Director in November 2013 and was appointed Chairman of the Board in October 2014. Mr. Van der Marel has broad knowledge of and expertise in turnaround management and more than 30 years' experience in international management. Major milestones of his professional career include positions as Senior Consultant with Arthur D. Little International, Managing Director of P.T. Friesche Vlag Indonesia/P.T. Foremost Indonesia, Managing Director Vlisco BV, Member of the Executive Board Koninklijke Grolsch N.V., Partner and Co-Founder of Xperience Partners B.V., CEO of Zurel Group B.V. and partner of Bakkenist Management Consultants.

Mr. Van der Marel holds a Master degree in Business Economics from the University of Groningen, The Netherlands and an MBA from INSEAD, Fontainebleau, France.

Ronald Lorijn (Male, Dutch, 1951)
Non-Executive Director

Dr. Ronald Lorijn (MD, PhD, MBA), business consultant in biotechnology, joined the Group as a Non-Executive Director in May 2010. Dr. Lorijn also serves on the board of nLife Therapeutics SL. Previously, Dr. Lorijn was Chief Executive of UniQure NV (Amsterdam), having developed the company from a small, one-product operation into a leading gene therapy Group listed on NASDAQ in NY (NASDAQ: QURE). He retired from UniQure in February 2009. Prior to UniQure, Dr. Lorijn worked at Amgen, a leading human therapeutics Group, where he was part of Amgen Europe´s executive management team and responsible for its Clinical Operations, Business Development & Governmental Affairs. Before joining Amgen, he was Chief Medical Officer and Senior Director of Clinical Operations & Medical Affairs, Europe at Centocor after having been employed by the pharmaceutical division of AKZO (Organon), as its head of worldwide Medical Services and Product Surveillance.

Dr. Lorijn graduated from the Radboud University Nijmegen, completed a Ph.D. and was a certified obstetrician / gynecologist before joining the biotech industry.

Vincent Borgeot (Male, French, 1962)
Non-Executive Director

Mr. Vincent Borgeot is the founder, chairman and CEO of Fox Finance, a boutique advisory company based in Geneva that assists corporate clients and high net worth individuals in their cross border investment strategies for acquisitions, disposals or business development in private equity, listed companies or capital development. Prior to founding Fox Finance, he was Vice President Development and Control at Groupe Arnault – the ultimate parent company of LVMH and Dior Group – and Group Accor – Wagonlit Travel.

Mr. Borgeot earned his Master degree in Science in Aeronautics from ISAE-SUPAERO in Toulouse, France and an MBA from the HEC School of Management, where he also served as an assistant teacher in Strategic Planning.

Remuneration report

Selection, Appointment and Remuneration Committee

The Selection, Appointment and Remuneration Committee consist of R.H.W. Lorijn and G.J. van der Marel and is chaired by R.H.W. Lorijn. The Selection, Appointment and Remuneration Committee is responsible for the implementation of the Executive Directors' remuneration policy and its costs. Within the framework of the remuneration policy determined by the General Meeting, the Selection, Appointment and Remuneration Committee determines the base salary, performance related remuneration and share options, as well as any other benefits for the Executive Directors.

The duties of this permanent committee are defined by the charter of the Selection, Appointment and Remuneration Committee, which is published on the Group's website www.esperite.com.

Remuneration of the Board of Directors

Remuneration policy for Executive Directors
In accordance with the Articles of Association, the General Meeting adopts the remuneration policy in respect of the Executive Directors. The Non-Executive Directors establish the remuneration of the individual Executive Directors, with due observation of the remuneration policy as adopted by the General Meeting. With respect to arrangements in the form of shares or share options, the Non-Executive Directors shall submit a proposal to the General Meeting for approval. The proposal must include the number of shares and/or share options that may be granted to Executive Directors and which criteria apply to a grant or modification.

The goals of the Group's current remuneration policy in respect of its Executive Director's remuneration as adopted by the General Meeting on 5 October 2009 are to align individual and Group performance and enhance long-term commitment and value creation to the Group. Remuneration of the Executive Directors consists of three elements: a base salary, a variable bonus and share options. The base salary of the Executive Directors is determined by the Selection, Appointment and Remuneration Committee. The bonus is determined annually by the Selection, Appointment and Remuneration Committee and varies according to performance. The bonus makes up a large portion of the Executive Director's total compensation, reflecting the philosophy that their compensation is linked to shareholder value. The share options which are granted under the Share Option Scheme serve as a long term incentive. They have a vesting period of three years and can be exercised upon vesting within six years from the grant date. The current remuneration policy prescribes that upon termination of employment, an Executive Director shall receive an amount to be determined in accordance with Dutch law or, as the case may be, by the Dutch courts.

Remuneration 2017 Executive Director
CEO remuneration:
The remuneration consists of a fixed annual board fee and a bonus arrangement (variable short term annual board fee). The fixed annual board fee amounts to € 300,000. For 2017, the bonus system consisted of a qualitative part (maximum 50% of the annual fixed salary) based on reaching of 100% of the strategic goals and a quantitative part in the event EBITDA reaching of at least € 1.2 million. The quantitative part of the bonus is defined as follows:

• if gross revenue exceeds € 30 million but is lower than € 35 million the bonus will be 10% of the annual fixed salary per million gross revenue exceeding € 30 million
• if gross revenue exceeds € 35 million the bonus will be 12% of the annual fixed salary per million revenue exceeding € 35 million

Furthermore the Executive Director will obtain 250,000 stock options in the Company available in the stock option pool when a strategic business deal is achieved with an immediately significant positive impact on EBITDA 2017.

As the financial objectives were not met, only the qualitative bonus (equals 50% of fixed annual board fee) – amounting to € 150,000 – has been granted.

For a summary of the fixed and variable compensation and other considerations in relation to the financial year 2017, reference is made to the 2017 annual report.

Remuneration 2018 Executive Director
CEO remuneration
The remuneration consists of a fixed annual board fee and a bonus arrangement (variable short term annual board fee). The fixed annual board fee amounts to € 300,000. For 2018, the bonus system consists of a qualitative part (maximum 55% of the annual fixed salary) based on reaching of 100% of the strategic goals and a quantitative part in the event EBITDA reaching of at least € 1.2 million. The quantitative part of the bonus is defined as follows:

• if gross revenue exceeds exceeds € 18 million but is lower than € 20 million the bonus will be 10% of the annual fixed salary
• if gross revenue exceeds € 20 million but is lower than € 24 million the bonus will be 20% of the annual fixed salary
• if gross revenue exceeds € 24 million the bonus will be 50% of the annual fixed salary per million gross revenue exceeding € 24 million

Furthermore the Executive Director will obtain 250,000 stock options in the Company available in the stock option pool when a strategic business deal is achieved with an immediately significant positive impact on EBITDA 2018.

Remuneration policy for Non-Executive Directors

In accordance with the Articles of Association, the General Meeting determines the remuneration of the Non-Executive Directors. On 17 June 2015 the General Meeting determined that as of 1 January 2015 the annual remuneration of Non-Executive Directors is as follows:

• € 40,000 for each Non-Executive Director

• € 10,000 additionally for the Chairman of the Board of Directors

• € 5,000 additionally for the Chairman of a sub-committee of the Board of Directors

• € 2,500 additionally for each member of a sub-committee of the Board of Directors

Remuneration 2017 Non-Executive Directors
The remuneration of the Non-Executive Directors is detailed in Note 38 of the Financial Statements.

Directors' service agreements

Except as set out in this chapter, the terms and conditions of the service agreements with the Executive and Non-Executive Directors did not change in 2017.

The main terms and conditions are summarized below.

F. Amar
Mr. Amar has been appointed as an Executive Director at the extraordinary general meeting on 19 March 2014. His current term expires on the date of the annual general meeting of 2018. Mr. Amar's appointment can be terminated by him at any time by giving three months' notice to the Group and be terminated by the Group by giving Mr. Amar six months' notice. In the event of termination by the Group, Mr. Amar is entitled to a severance payment equal to his fixed annual board fee.
Mr. Amar is a substantial shareholder in the Group.

V. Borgeot
Mr. Borgeot has been appointed as a Non-Executive Director at the annual general meeting on 17 June 2015. His current term expires on the date of the annual general meeting of 2018. Mr. Borgeot's appointment can be terminated by him at any time by giving notice to the Group and be terminated by the Group by giving Mr. Borgeot three months' notice. Mr. Borgeot is remunerated as per the remuneration determined by the General Meeting on 17 June 2015.

R.H.W. Lorijn
Mr. Lorijn has been reappointed as a Non-Executive Director at the annual general meeting on 4 July 2017. His current term expires on the date of the annual general meeting of 2018. Mr. Lorijn's appointment can be terminated by him at any time by giving notice to the Group and be terminated by the Group by giving Mr. Lorijn three months' notice. Mr. Lorijn is remunerated as per the remuneration determined by the General Meeting on 17 June 2015.

G.J. van der Marel
Mr. Van der Marel has been reappointed as a Non-Executive Director at the annual general meeting on 17 June 2015. His current term expires on the date of the annual general meeting of 2019. Mr. Van der Marel's appointment can be terminated by him at any time by giving notice to the Group and be terminated by the Group by giving Mr. Van der Marel three months' notice. Mr. Van der Marel is remunerated as per the remuneration determined by the General Meeting on 17 June 2015.

Share Option Schemes

The Group's current share option scheme – the ESPERITE Share Option Scheme – was adopted by the extraordinary meeting of shareholders on 23 December 2015.

ESPERITE Share Option Scheme

The main characteristics of the ESPERITE Share Option Scheme are set out below.

The ESPERITE Share Option Scheme has a term until 31 December 2017. Prolongation of the Share Option Scheme with similar terms and conditions will be an agenda item of the annual general meeting 2018.

The number of shares in respect of which options may be granted under the ESPERITE Share Option Scheme on any grant date when added to (a) the number of shares comprised in outstanding options granted pursuant to the ESPERITE Share Option Scheme and (b) the number of shares which have been issued on the exercise of options that have been granted pursuant to the ESPERITE Share Option Scheme, shall not exceed 15% of the number of ordinary shares in issue immediately prior to such grant date.

Options may be granted to (a) a person who on the grant date has held office as a director or has been employed by the Group for at least one year, in either case selected by the CEO to participate in the ESPERITE Share Option Scheme, or (b) any third party or employee who does not meet the criteria above but who the CEO may in its discretion so identify.

The CEO shall in his discretion select the participants to who options may be granted and determine the number of options to be granted to each relevant participant. The Selection, Appointment and Remuneration Committee shall in its discretion determine whether options shall be granted to the CEO and any other Executive Director, if applicable, and determine the number of options to be granted to the relevant Executive Director.

The number of options that may be granted to the CEO pursuant to the ESPERITE Share Option Plan shall not exceed 20% of total number of options that can be granted pursuant to the ESPERITE Share Option Scheme.

The number of options that may be granted to any other Eligible Participant shall not exceed 10% of total number of options that can be granted pursuant to the ESPERITE Share Option Scheme.

An option may not be exercised later than the day before the sixth anniversary of the grant date on which day the option (if it has not already ceased to be exercisable) shall lapse. An option may not be exercised prior to the third anniversary of the grant date except by reason of some specific circumstances (injury, ill health, disability, death, redundancy) or at the discretion of the CEO or, if it regards options held by an Executive Director, the Selection, Appointment and Remuneration Committee, for any other reason.

The amount payable for each share in the event of the option being exercised shall be the option price. The option price equals the opening price on Euronext Amsterdam of an ESPERITE N.V. share on the grant date.

The exercise price is equal to the stock price at grant date. The settlement of the option will be in existing or new shares.

The number of options that have been granted to a participant may be adjusted in the event the options were granted based on incorrect information about the realization of the underlying goals or about the circumstances from which the entitlement to the options was made dependent, incorrect financial or other data, or in the event due to extraordinary circumstances arisen since the date of the grant of the options, the exercise of the options by a participant would produce an unfair result.

In May 2017 320,000 share options and in December 2017 1,082,500 share options have been granted under the ESPERITE Share Option Plan 2015 - 2017. The exercise price amounts respectively to € 0.40 and € 0.49. Under the Group's previous share option schemes, the 2007 Share Option Scheme and the 2009 Share Option Scheme no new options shall be granted. For a description of the Share Option Scheme, reference is made to the 2017 annual report.

Ronald H.W. Lorijn
Gert-Jan van der Marel
Selection, Appointment and Remuneration Committee

23 November 2018

Risk management

Risk management and control systems

Esperite NV ('The Group') with its 4 business units, CryoSave and the Cord Blood Stem Cell segment, Genoma, The Cell Factory and OUTPUT Pharma Services operates in a highly regulated environment.

The Group complies with all the quality control and risk management requirements, which underpins the control and compliance attitude of the Group.

All employees are encouraged to raise genuine concerns about possible improprieties in the conduct of the Group's business, in matter of a general, financial, operational or other nature, at the earliest opportunity and in an appropriate way.

The Group also implemented risk management and control systems to manage other risks. A proper budget process, local management's responsibilities and accountability, monthly financial reporting, regular review meetings with senior management and representatives of the Board of Directors, external audits and internal letters of representation are all part of its risk management and control systems.

At least once a year the results of its internal findings as well as the observations by its external auditors are discussed with the Audit Committee, and improvement plans are implemented where necessary.

Risk categories

The risks and uncertainties described below are a list of strategic, operational, compliance and financial risks and uncertainties currently known to the Group and which the Group deems material. Additional risks and uncertainties, not presently known to the Group, or which the Group currently deems immaterial, may also have an adverse effect on its business, financial condition and/or results of operations. All these factors are contingencies which may or may not occur. The Group may face one or more of the risks and uncertainties described below simultaneously.

In the table below for each risk category the identified risks are listed. For every identified risk an assessment has been made compared to last year. Regarding the mitigated/residual risks for which the assessment is considered to be changed (↓ risk decreased / ↑ risk increased) an explanation is given below the table.

	Risk assessment compared to 2016
Strategic risks	
• Broadening of products and services	↓
• Business development into new markets	=
• Alternative sources for stem cells	=
• Technology risk	↑
Operational risks	
• Market acceptance of services and perceptions	=
• Competition	↑
• Concentration risk	=
• Dependence upon IT systems	=
• Dependence on key personnel	↓
• Reliance on third parties	=
Compliance risks	
• Developments in regulatory laws	=
• Legal system	=
• Ethical issues	=
• Patents and other intellectual property rights	=
• Product liability and insurance	↑
Financial risks	
• Liquidity risk	↓
• Taxation	=
• Accounting judgements and estimates	=
• Credit risk	=
• Currency risk	=
• Exchange rate risk	=
• Share concentration	=
• Share price volatility and liquidity	=
• Exercise pre-emptive rights	=

Broadening of products and services

During 2017 effort was made to further enhance the Genoma services through the introduction of AGAATA™. AGAATA™ is a fully integrated and certified CE-IVD Diagnostic System with machine learning capabilities. AGAATA™ for clinical laboratories is designed to run in-house sensitive genetic tests delivering the fastest and accurate results.

Whole Genome Sequencing (also known as WGS or entire genome sequencing) is the process of determining the complete DNA sequence of an organism's genome at a single time. In other words, Whole Genome Sequencing is the mapping out of a person's unique DNA.
Furthermore The Cell Factory has made significant progress with its research and development activities. The Cell Factory started the preparation for the first-in-man clinical trials in treatment of Crohn's disease.

Technology risk
Since the acquisition of InKaryo, Genoma is able to enhance its own technology and has developed sophisticated diagnostic systems based on a secured and validated bioinformatic. Although the risk for obsolete technology is an inherent risk, the own developed technology is expected to provide Esperite a competitive advantage.
In 2017 AGAATA™ has been introduced. This in-house developed technology is at this moment state of art.

Competition
The market in which the Group is operating is changing. The interest for predictive medicines is increasing. The products are also available to a broader audience. Due to this growing market and its potential new companies are entering the market.

Dependence on key personnel
In 2015 a Share option scheme was developed and approved during the EGM in December 2015. This option scheme gives the CEO the ability to reward (key) employees and attract talented employees. In 2017 several stock options have been granted to selected personnel.

Product liability and insurance
The Group reviewed it insurances based on cost-benefit analyses. Based on these analyses the Product Liability insurance coverage was adjusted. The adjustment of the insurance policy results in better coverage regarding this risk.

Liquidity risk
During 2017 the liquidity risk decreased. A private placement of € 9 million was launched in March through the issuance of convertible notes with share subscription warrants attached. The first tranche of € 1 million was issued early March 2017. Subsequent tranches were issued during 2017.

Assessing and monitoring the risks

On the basis of the assessment of chance and impact, the Group also determines risk acceptance level. The reasons risks may be qualified as unacceptable are:
• Any danger to our continuity;
• Any danger to our reputation in the fields of compliance and integrity;
• Any chance of material impact on revenues and, more specifically, on our liquidity.

Risk management is an important part of the Group's corporate governance. The risk appetite of the Group per risk category is provided in the table below:

Risk category	Risk Description	Risk Appetite
Strategic risks	Risks which affect or are created by the Group's business strategy and could affect the Group's long-term positioning and performance.	Low - moderate
Operational risks	Risk which affect the Group's ability to execute its business plan.	Low - moderate
Compliance risks	Risk of non-compliance with laws, regulations, local standards, code of conduct, internal policies and procedures.	Zero tolerance
Financial risks	Risks include areas such as liquidity, taxation, currency, accounting judgement and estimates and share related risks	Low

For all significant geographical area´s or departments a manager is responsible for day to day risk management and monitoring. Every second month a managers meeting is organized to discuss the risks and the related monitoring.
On a more frequent basis, managers report directly to the CEO. The measures taken to monitor and control the risks are of the level which may be expected from the Group given its size and nature.

In 2017, the Group continued the current risk assessment in terms of risk appetite and impact. In 2017, the Group encountered the following risks (in varying degrees):

Strategic risks

Broadening of products and services
To reduce the Group's dependency on stem cell cryopreservation, the Group has entered the fields of predictive medicine and translational regenerative medicine R&D, and created four separate and distinct business units to support the refocus and restructuring of its operations. The implementation and execution of this strategy will require ongoing significant resources and investment, and it cannot be assured that the Group will be able to successfully do so.

Measure:
The Group has a strong research and development team which on a continuing basis is looking for new products and services. Genoma's team is developing new tests and diagnostic systems. The Cell Factory is working on new applications of products derived from Stem Cells. For every product or service a project team is defined which is responsible for project management, scope definition, budgeting, planning and monitoring.

Business development into new markets
To reduce the Group's reliance on a relatively small number of markets over time, and to benefit from opportunities in some new markets, the Group will continue to invest in new market regions. Although the Group will only invest in new markets on the basis of a thorough market analysis, these new markets should comply with the Group's standards and procedures, and they will benefit from best practices in other markets, there is no certainty that customers in these markets will be interested and prepared to acquire the Group's services at a sufficient level, and that the Group will manage to build a sustainable and profitable business in such markets. If the Group is unable to manage all of these risks efficiently, this may have an adverse effect on its business and financial situation.

Measure:
Before the Group enters into a new market, extensive market analyses will be carried out. If the conclusions of the analyses are positive the market will be entered in a way that an exit is possible against reasonable cost considering the risk acceptance levels as described above.

Alternative sources for stem cells
It is possible to collect stem cells from other bodily sources than the umbilical cord blood and the umbilical cord tissue. In the event that it appears that such cells have the same or better therapeutic quality as stem cells collected from the umbilical cord blood or cord tissue and/or if it would be cheaper or otherwise more effective to collect, process, preserve or store such cells, the Group may be put at a competitive disadvantage and its business and/or financial position may be materially and adversely affected.

The development of induced pluripotent stem cells (IPS) based on the body cells of a patient could lead to an alternative stem cell source for different regenerative therapies. It has been demonstrated that umbilical cord blood is better suited for this technology than other. Their increasing use does currently not represent a material risk and could rather contribute to the expansion of the potential use of the stem cells contained in the umbilical cord blood.

Measure:
The development in the stem cell business are monitored closely by the CellFactory, the Group's own R&D department. The monitoring is done by involvement of Key Opinion Leaders in the Group and visiting congresses.

Technology Risk
If new technologies will be introduced, or if new standards or practices emerge, the Group's existing technologies and systems may become obsolete. The Group's future success will depend on its ability to enhance its existing services and its ability to anticipate or respond to technological advances and emerging industry and public sector standards and practices on a cost-effective and timely basis. It will also depend on the Group's ability to develop and implement the technologies, systems, standards and practices that are required to successfully enter and be active in the fields of predictive medicine and translational regenerative medicine R&D. Developing the Group's technology and product range entails significant technical and business risks. The Group may use or procure new technologies ineffectively or fail to adapt its systems to customer requirements or emerging industry standards.

Measure:
The development regarding technology is monitored closely. The monitoring is done by following the developments in the business and taking notice of literature in this respect.

Operational risks

Market Acceptance of services and perceptions
The commercial success of the Group's services is dependent upon their market acceptance - which depends in part on the Group's ability to demonstrate their relative safety, quality, efficacy and ethical practices – and on the market perceptions of the Group, its brands and the safety and quality of its services.

The Group's business could be adversely affected if it or its brands are subject to negative publicity. The Group could also be adversely affected if any of its services or any similar services distributed by other companies prove to be, or are asserted to be, harmful to customers.

In addition, market acceptance may be affected by the success (or lack thereof) of research into, and the use of stem cells for treating disease and hence the perceived benefits of stem cell storage. Similarly, changes in attitudes towards forms of treatment amongst clinicians or patients may adversely affect the commercial prospects and success of its services. Clinicians may be slow to change their medical treatment practices because of the perceived risk of liability arising from the use of new services. Any failure to gain market acceptance of its services could adversely affect the sales of its services and its ability to remain profitable.

Measure:
The Group has a Quality Management system in place which is checked on a regularly basis by health authorities. The Group's risk appetite is to manage any risks relating to market acceptance through this Quality Management system to the extent possible.

Competition
The Group's services may experience competition from the services of other companies which have greater research, development, marketing, financial or personnel resources than the Group does. The Group's competitors may be more advanced in the development of their services or have more powerful brands.

Furthermore, the healthcare industry is highly competitive. Competitors may continue to develop services which directly compete with the Group's services. Competing services could prove to be superior to the Group's.

The Group may not be able to compete successfully. This would have a material adverse effect on the Group's financial condition, results of operations and prospects.

Measure:
The competitors are monitored closely. The monitoring is done by internal benchmarking the Group against their peer group competitors.

Concentration risk
At present, the majority of the Group's revenue is attributable to certain key markets. The Group intends to reduce its reliance on a relatively small number of markets over time but there can be no assurance that the Group will succeed in expanding existing markets or developing its business into new markets or in decreasing its reliance on these territories. The Group has chosen to operate directly the marketing and sales operations in the key markets. As a consequence of the differential revenue the Group derives per unit stored, or test sold, depending on the territory from which the customer derives, the effect of a drop in customer levels and its financial position and prospects will differ according to the affected territory or territories.

Measure:
The group is looking continually for new market opportunities. To spread the risk new territories are explored on their business opportunities considering the risk acceptance levels as described above.

Dependence upon IT systems
The Group's ability to maintain financial controls and to provide a high quality service to clients depends, in part, on the efficient and uninterrupted operation of its management information systems, including its computer systems. The Group's computer systems may be vulnerable to damage or interruption from fire, telecommunications failure and similar events. These systems may also be subject to cyber-crime, sabotage, vandalism and similar misconduct. Any damage to or failure of the systems could result in interruptions to the Group's financial controls and/or customer service. Such interruption could have a material adverse effect on the Group's business, results of operations and/or financial condition.

Measure:
The Group has its own IT department which is capable to manage these risks. The General IT controls are tested and evaluated every year internally and by external parties. Recommendations, if any, are followed up properly given the risk appetite in relation to IT risks.

Dependence on key personnel
Although the Group recently broadened its senior management, its success depends to a certain extent on the continued services of its core senior management team. If one or more of these individuals were unable or unwilling to continue in his or her present position, its business could be disrupted and the Group might not be able to find replacements on a timely basis or with the same level of skill and experience. Finding and hiring such replacements could be costly and might require the Group to grant significant equity awards or other incentive compensation, which could adversely impact its financial results.

Measure:
To attract and retain key personnel a share option scheme has been implemented. This instrument mitigates the risk of dependence on key personnel.

Reliance on third parties
The Group is partially reliant on agents and distributors, third parties for the supply of equipment and consumables and other service providers. While the Group has no reason to believe otherwise, there can be no assurance that these business relationships will continue. Furthermore the Group maintains business relationships with other properly accredited

businesses in case the relationships with the third parties it has currently outsourced non-core activities to, may terminate or deteriorate, the Group remains dependent on these third parties and termination of its current relationships, or deterioration of the terms thereof could affect its business and/or financial position.

Measure:
For each supplier several selection criteria apply. These criteria are evaluated every tender procedure. Periodically the suppliers are benchmarked by the Group.

Compliance risks

Developments in regulatory laws
The Group's activities are highly regulated. The Group relies on regulatory expertise to ensure its operations, including its processing facilities and services meet regulatory requirements. Regulatory laws are subject to developments and there is a risk that the level of regulation that the Group and its business is subject to may increase. Although the Group monitors these changes in law, there can be no assurance that the services will continue to meet regulatory requirements, that regulatory licenses and authorizations can be obtained or maintained in the future.
The Group may need to devote significant resources to ensure that it complies with relevant regulatory laws in the jurisdictions in which it operates its business and developments in regulatory requirements may also require it to change operations significantly which could have an adverse effect on the Group's results of operations or financial condition. Changes in government legislation and regulation may also have a significant effect on the market appetite for the Group's services and the revenues that the Group is able to generate.

In the European Union, cord blood activities are governed by national laws implementing various European directives. The EU Tissues and Cells Directive on donation, procurement, testing, processing, preservation, storage and distribution of human tissues and cells, brought into the EU and EEA by Directives 2004/23/EC (the 'Tissues and Cells Directive'), 2006/17/EC (the 'First Technical Directive') and 2006/86/EC (the 'Second Technical Directive', together the 'Directives'), created a common legal framework regulating activities with tissues and cells. Those tissue establishments performing regulated activities must be licensed to do so by competent authorities designated by each member state. They are required to obtain informed consent from donors, protect personal data, maintain confidentiality, evaluate and select donors and implement appropriate quality and safety measures. Tissue establishments should operate using a Quality Management System (QMS) based on principles of good practice, including at least standard operating procedures, guidelines, training and reference manuals, reporting forms, donor records and information on the final destination of tissues and cells, ensuring availability for inspection by the national competent authority. A qualified responsible person must be designated and personnel directly involved in the tissue establishment activities need to be suitably trained and qualified. Tissue and cell reception must be fully compliant with defined regulatory requirements, as must processing, storage, labelling, documentation, packaging and distribution. Tissue establishments must furthermore evaluate and enter into written agreements with third parties where the quality and safety of tissues and cells processed in co-operation with the third parties is influenced, and they must record and make available such agreements for inspection by national authorities.

Measure:
The Group relies on internal and external regulatory expertise to ensure its operations, including its processing facilities and services meet regulatory requirements. The risk appetite on this matter is to avoid any events that may have a material adverse effect on the Group's business, results of operations and/or financial condition.

Furthermore the Group provide services under voluntary quality programs to control and test the quality of its operations. The Stem Cell activities are performed in accordance with the guidelines of AABB (American Association of Blood Banks). Genoma started in 2016 a certification program. The Genetics laboratory applied for the ISO 15189 (Medical laboratories – Particular requirements for quality and competence). Genoma products are developed in accordance with ISO 13485 (Medical devices – Quality management systems – Requirements for regulatory purposes). Tranquility, Genoma's Non Invasive Prenatal Test, applied for CE-IVD (CE validation regarding In Vitro Diagnostic Medical Devices).

Legal systems
Countries that the Group operates in may have a range of legal systems, some of which may be less developed legal systems than those in jurisdictions with more established economies which may result in risks such as:
• effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation or in an ownership dispute, being more difficult to obtain;
• a higher degree of discretion on the part of governmental authorities;
• the lack of judicial or administrative guidance on interpreting applicable rules and regulations;
• inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or
• the relative inexperience of the judiciary and courts in such matters.

There can be no assurance that the Group, joint ventures, licenses, license applications or other legal arrangements will not be adversely affected by the effect of applicable laws (which may affect the validity of provisions in the Group's contractual arrangements or lead to the incorporation of mandatory terms or rights not explicitly agreed), the actions of government authorities or others and the effectiveness of and enforcement of such arrangements.

Measure:
The Group has in place a Code of Conduct and Whistle blowing policy for their employees. With regard to the financial year-end procedures every country manager is requested to sign a Letter of Representations which addresses non-compliance.

Ethical issues
The Group's operations concern stem cells obtained from the umbilical cord tissue, umbilical cord blood or adipose tissue, considered as adult stem cells.

The Group's operations also concern Genetic diagnostic tests.. The service provided by the Group results in a clinical report. The Group strongly recommends every customer to consult a healthcare provider to evaluate the report.

Measure:
The Group is not engaged in any activity which touches on unethical activities. Public perception does not always make a clear distinction between providing of services and operations and unethical activities.

Patents and other intellectual property rights
The ability of the Group's services to compete effectively with those developed by other companies depends, amongst other things, on its ability to obtain, maintain and enforce valid patents and other intellectual property rights. No assurance can be given that any patent application will proceed to grant or that any granted patent will be enforceable. Even if enforceable, such patents may not be sufficiently broad in their scope to provide commercially valuable protection for the Group's services. The Group's methods and policies for protecting unpatented confidential information, including proprietary know-how, concepts and documentation of proprietary technology may not afford it complete protection, and there can be no assurance that others will not obtain access to unpatented information. The costs associated with enforcement against a third party infringing the Group's rights may be substantial, and the outcome of any associated litigation may be uncertain. This could materially and adversely affect the Group's business and/or financial position.

The Group has acquired and will acquire in-licensed intellectual property rights in the future. There can be no assurance that such intellectual property rights are, or will be, free from the rights and interests of other third parties or that such other third parties will not challenge the Group's rights in or to such intellectual property. Where registered intellectual property

rights are licensed to the Group, but not maintained by it, there can be no assurance that the licensor will adequately maintain and protect the underlying intellectual property rights in which the Group has an interest. Any other third party interests, or any failure by a licensor to maintain and protect underlying intellectual property rights, could materially and adversely affect the Group's business and/or financial position.
The commercial success of the Group's services will also depend upon non-infringement of patents and other intellectual property rights owned by others. Third parties may have filed applications or may have obtained, or may obtain, patents or other intellectual property rights which might inhibit the Group's ability to develop and exploit its own services. Third parties may allege the Group's infringement of their intellectual property rights. The costs associated with the defence of such claims may be substantial, the Group may endure a long period of uncertainty regarding the outcome and there can be no assurance that it will be successful. The Group may need to develop or obtain alternative technologies or reach commercial terms on the licensing of other parties' intellectual property rights. There can be no assurance that the Group will be able to develop or obtain such alternative technology or be able to license third parties' intellectual property rights on commercially acceptable terms or at all. This could materially and adversely affect the Group's business and/or financial position.
In addition, third parties may allege the Group's infringement of their intellectual property. Even if the Group is ultimately able to successfully defend itself against such allegations, the costs, and the disruption and negative publicity associated with the defence of such allegations may be significant and the Group may endure a long period of uncertainty regarding the outcome of such allegations.

Measure:
Before the group acquires any patent and other intellectual property rights an investigation takes place on the risks associated with the protection regarding the potential acquisition. For the significant existing intellectual property rights the risks are monitored by consultants.

Product liability and insurance
The Group's activities expose it to potential liability and professional indemnity risks. Although the Group believes that it should carry adequate insurance with respect to its operations in accordance with industry practice, in certain circumstances its insurance may not cover or be adequate to cover the consequences of all such events. The occurrence of an event that is not covered or fully covered by insurance, such as loss of or damage to samples in relation to which the Group does not have insurance coverage, could have a material adverse effect on the Group's business, financial condition and results of operations. In addition, there is a risk that insurance premiums may increase to a level where the Group considers it is unreasonable or not in its interests to maintain insurance cover or to a level of coverage which is not in accordance with industry practice. The Group also may, following a cost-benefit analysis, elect not to insure certain risks on the ground that the amount of premium payable for that risk is excessive when compared to the potential benefit to the Group of the insurance cover. If the Group is not able to adequately protect itself against potential liability claims, it may find it difficult or impossible to secure commercialisation of its services.

Measure:
The Group may, following a cost-benefit analysis, elect not to insure certain risks on the ground that the amount of premium payable for that risk is excessive when compared to the potential benefit to the Group of the insurance cover, risk acceptance levels are considered when making the decision whether to insure. If the Group is not able to adequately protect itself against potential liability claims, it may find it difficult or impossible to secure commercialization of its services.

Financial risks

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The primary objective of liquidity management is providing for sufficient cash and cash equivalents to enable the Group to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group. The Group invested substantial amounts in market development, new technologies and building a new structure. As a result cash outflows are exceeding the current cash inflows.

Measure:
Given the current situation cash is monitored very closely by the finance director and the CEO. On a monthly basis it is reported to the Board of Directors. Measures taken and expectations in this respect can be found in note 2c to the financial statements.

Taxation
There is no guarantee that the Group's current tax treatment will continue to apply. Any changes to tax legislation may have an adverse effect on the Group's tax status and its financial results. Any changes may also affect the return on an investors' investment in the Group and result in changes in personal tax rates and tax relief.

Significant judgment is required in determining the Group's tax positions, amongst others corporate income tax and value added tax (VAT). In the ordinary course of business, there are many transactions, where the ultimate tax determination is uncertain. Additionally, its calculation of the tax positions is based in part on its interpretations of applicable tax laws in the jurisdictions in which the Group operates. Although the Group believes its tax estimates are reasonable, there is no assurance that the final determination of its tax positions will not be materially different from what is reflected in its statement of income and related balance sheet accounts. Should additional taxes be assessed as a result of new legislation, tax litigation or an audit, if the tax treatment should change as a result of changes in tax laws, or if the Group were to change the locations in which the Group operates, there could be a material effect on its results of operation or financial position.

Measure:
The Group relies on the experience and knowledge of the internal employees. In case of doubt external expertise is engaged to ensure meeting requirements due to the applicable legislation.

Accounting judgments and estimates
In relation to the preparation of its financial statements the Group makes estimates and assumptions concerning the future in relation to, for example, the valuation of goodwill and intangible assets. Although the Group believes that its accounting estimates and judgments are reasonable, there is no assurance that material adjustments to the carrying amounts of assets and liabilities in its future financial statements will not be required.

Measure:
The Group relies on the experience and knowledge of the internal employees. In case of doubt, an external expertise is engaged to ensure meeting requirements due to the applicable legislation.

Credit risk
The Group offers services to its clients in certain countries with the possibility to pay the fees through instalments. The credit risks on these instalments have been and will continue to be borne by the Group. It is not impossible that these credit risks may increase in the future, which could have a material adverse effect on the Group's business and/or financial results.

The Group invoices its partners in some cases, in relation to the services the Group has provided over a period of time. The Group is therefore subject to a greater credit default risk.

Measure:
Periodically the Groups assess the credit worthiness of customers. The Group reports periodically on overdue debtors. This reduces the chance that this risk will arise. These reports are followed up if certain criteria are considered to be at risk.

Currency risk
The Group's expected revenue will generally be generated in numerous currencies and its expenses will be payable in local currencies of operation. The income in any one currency may not necessarily match the expenses in that currency. Consequently the exchange rates between the various currencies will have an impact on the Group's expected new orders, revenues and earnings and are affected by numerous factors beyond its control. These factors include local economic conditions and the outlook for interest rates, inflation and other economic factors. These factors may have a positive or negative effect on the Group's financial results and standing, plans and activities and its ability to fund those plans and activities.

Measure:
Currently the Group aims to match their cash inflows to their cash outflows in the same currency. Regarding the residual risk no hedge contracts are concluded.

Exchange rate risk
As a consequence of the international nature of its business, the Group is exposed to risks associated with changes in foreign currency exchange rates. The Group presents its consolidated financial statements in Euros. Movements to translate foreign currencies into the Euro may have a significant impact on the Group's results of operations, financial position and cash flows from year to year.

Measure:
The Group does not hedge this risk.

Share concentration
Mr. Frederic Amar, the Group's Chief Executive Officer holds 15 % of the Shares as of December 31, 2017. Accordingly, Mr. Amar has significant influence over the outcome of corporate actions requiring shareholder approval, including the election of members of the Board of Directors, any merger, consolidation or sale of all or substantially all of the Group's assets or any other significant corporate transaction. Mr. Amar's substantial Shareholding could delay or prevent a change of control of the Group, even if such a change of control would benefit the other Shareholders.

Measure:
The Board of Directors is the Chief Operation Decision Maker of the Group. Executive management is performed by the CEO. The Board of Directors carefully monitors potential conflicts of interest that the CEO may have in view of his substantial shareholding in the Group and ensures that in the event of such conflict of interest, the CEO does not participate in the deliberations and decision making.

Share price volatility and liquidity
The share price of healthcare companies can be extremely volatile. The price of the Shares will be influenced by a large number of factors, some specific to the Group and its operations, some of which may affect healthcare companies generally, and many of which will be outside the Group's control. These factors may include, but are not limited to, results from other healthcare companies which distribute, or otherwise provide, competing products or services, large purchases or sales of shares, changes in the regulatory environment and changes in recommendations of securities analysts. In particular, sales, or the expectation of sales, of substantial numbers of shares by existing significant Shareholders or by persons who become significant Shareholders may depress the market price of the Shares. Any sales of substantial amounts of shares in the public market, or the perception that such sales might occur, could materially adversely affect the market price of the Shares.

Measure:
Since the Group is not able to control this risk, no specific measures are taken in this respect.

Exercise pre-emptive rights
In the event of an increase in the Group's share capital, Shareholder are generally entitled to certain pre-emption rights, unless these rights are excluded by a resolution of the General Meeting or of the Board of Directors, if so designated by the General Meeting or pursuant to the Group's articles of association. However, the securities laws of certain jurisdictions, including the United States, may restrict the Group's ability to allow shareholders to participate in offerings of its securities and to exercise pre-emption rights. As a result, Shareholders with registered addresses in such jurisdictions, including the United States, may experience dilution of their ownership and voting interests in the Group's share capital.

In addition, the Group may in the future offer, from time to time, a stock dividend election to Shareholders, subject to applicable securities laws, in respect of future dividends. However, subject to certain exceptions, the Group may not be able to permit Shareholders in certain restricted jurisdictions, including the United States, to exercise this election. Accordingly, Shareholders in these restricted jurisdictions may be unable to receive dividends in the form of shares rather than cash and, as a result, may experience further dilution.

Measure:
Since the Group is not able to control this risk, no specific measures are taken in this respect. If this risk occurs the Group will communicate immediately.

Corporate Governance

Introduction
ESPERITE N.V. is a limited liability company ('naamloze vennootschap') incorporated under Dutch law, with its corporate seat at Herengracht 282, 1016 BX, Amsterdam, The Netherlands. The statutory seat is at Zutphen, The Netherlands. The Group is registered with the Chamber of Commerce of East-Netherlands under number 27187482.
The telephone number of the principal place of business is +31 575 548 998.

The articles of association were last amended by deed of amendment executed on 3 July 2014 and are available via www.esperite.com.

The Group is listed on Euronext Amsterdam and has a secondary listing on Euronext Paris. As a consequence of its Euronext Amsterdam listing, the Dutch Corporate Governance Code is applicable to the Group.

Dutch Corporate Governance Code
This section is about the Group's corporate governance statement and contains the information regarding corporate governance pursuant to the Dutch governmental decree of 8 December 2016 establishing further instructions concerning the content of the annual report. This statement is deemed to form part of ESPERITE N.V.s Annual Report 2017.

The Dutch Corporate Governance Code contains principles and best practice provisions for management boards, supervisory boards, Shareholders and general meetings of Shareholders, financial reporting, auditors, disclosure, compliance and enforcement standards.

Dutch companies listed on a government regulated stock exchange, whether in The Netherlands or elsewhere, are required to disclose in their annual reports whether or not they apply the provisions of the Dutch Corporate Governance Code that are addressed to their management board or supervisory board and, if they do not apply, to explain the reasons why.

The Dutch Corporate Governance Code provides that if a company's general meeting of shareholders explicitly approves the corporate governance structure and policy and endorses the explanation for any deviation from the best practice provisions, such company will be deemed to have applied the Dutch Corporate Governance Code.

ESPERITE applies all of the relevant provisions of the Dutch Corporate Governance Code with the following deviations which, together with the reasons for those deviations, are set out below. Although the deviations are disclosed below, the Board of Directors shall not ask the General Meeting to explicitly approve such deviations.

• Although Board consists of 3 Non-Executive Directors, the Board maintains an Audit Committee and Selection, Appointment and Remuneration Committee. The latter is a combined committee and not separated in two committees as required by the best practice. 2.3.2.

• ESPERITE applies the one-tier board model. Due to the limited number of Non-Executive Board members, the Group does not comply with some best practices listed below

- 1.5.3 and 1.5.4 which requires the audit committee to report to and discuss with the non-executive board on its deliberations and findings
- 2.3.6.ii and 2.3.7 which requires that the chairman of the board ensures that a vice-chairman is elected.
- 5.1.4, which requires that the chairman of the audit committee should not be the same as the chairman of the Board.
- 5.1.5, which requires the non-executive directors render account of the supervision exercised in the past financial year. If applicable, items on which a report should be provided are integrated in this chapter of the Annual Report.

• Best practice provision 4.3.3 states that the general meeting of shareholders of a company not having statutory two-tier status may pass a resolution to cancel the binding nature of a nomination for the appointment of a member of the management board or of the supervisory board and/or a resolution to dismiss a member of the management board or of the supervisory board by an absolute majority of the votes cast. It may be provided that this majority should represent a given proportion of the issued capital, which proportion may not exceed one third. If this proportion of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favor of a resolution to cancel the binding nature of a nomination, or to dismiss a board member, a new meeting may be convened at which the resolution may be passed by an absolute majority of the votes cast, regardless of the proportion of the capital represented at the meeting. The Group does not fully apply this provision as (i) the quorum requirement in its Articles of Association is half of the issued capital instead of one third and (ii) a new meeting may not be convened. Given the relatively low attendance rate at the Group's General Meetings, the Group believes that this is appropriate.

• The Group does not have the provisions for shareholders to follow meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences in real time. As such best practice provision 4.2.3 is not applied. Journalists and analysts do have the possibility to attend press conferences via conference call.

• In view of best practice provision 4.2.6, it is noted that the Group has no outstanding or potential protection measures against a takeover of control of the Group.

• In relation to best practice rules 1.3.1 through 1.3.6 it is noted that given its small size, the Group does not have an internal audit department.

General Meeting and voting rights

Besides the mandatory Annual General Meeting, General Meetings shall be held as frequently as the Board of Directors or any Director may wish. The power to call the General Meeting shall vest in the Board of Directors and in each Director individually. In addition the Board of Directors must call a General Meeting if one or several shareholders jointly representing at least one tenth of the issued capital so request the Board of Directors, such request to specify the subjects to be discussed and voted upon. If the General Meeting is not held within six weeks after the request was made, the applicants themselves may call the General Meeting, with due observance of the applicable provisions of the law and the Articles of Association.

The term of notice for a General Meeting must be at least as many days as determined by law before the date on which the meeting is held. Dutch law currently prescribes that notice must be given no later than 42 days prior to the meeting. Notice of a General Meeting shall be given by a publication made public by electronic means which publication will be directly and permanent accessible until the General Meeting.

Holders of shares who individually or jointly represent at least 3% of the issued capital, or holds shares representing a value of at least € 50 million have the right to make a substantiated request to the Board of Directors to put items on the agenda or to propose a decision provided that the proposal to put items on the agenda or the proposed decision, as applicable, has been put forward in writing not later than 60 days before the day of the General Meeting.

Each share carries the right to cast one vote. At the General Meeting no votes can be cast for shares which are hold in treasury. For the purpose of determining to which extent shareholders cast votes, are present or are represented, or to which extent the share capital is represented, the shares in respect of which no votes can be cast shall not be taken into account.

Unless the law or Articles of Association stipulate a larger majority, all resolutions of the General Meeting shall be passed by an absolute majority of the votes cast.

Matters requiring a majority of at least two-thirds of the votes cast, representing more than 50% of the issued share capital include:

- a resolution to amend the Articles of Association other than in accordance with a proposal of the Board of Directors; and
- a resolution to have the Group merge or demerge other than in accordance with a proposal of the Board of Directors.

Matters requiring a majority of at least two-thirds of the votes cast, if less than 50% of the issued share capital is represented include:

- a resolution regarding restricting and excluding pre-emptive rights, or decisions to designate the authority to exclude or restrict pre-emptive rights to the Board of Directors; and
- a resolution to reduce the outstanding share capital.

Amendment of Articles of Association, merger and demerger

A resolution to amend the Articles of Association or a resolution for a merger or demerger may be passed by the General Meeting only pursuant to a proposal of the Board of Directors, except if the resolution is taken with a majority of two-thirds of the votes representing more than half of the issued share capital in which case no proposal of the Board of Directors is required.

Management structure

ESPERITE has a one-tier board structure, consisting of Executive and Non-Executive Directors. In 2017, eleven regular meetings were held. Furthermore, the Non-Executive Directors from time to time collectively and individually interacted with senior management outside the formal Board meetings. The attendance percentage of the Board meetings was in excess of 95%. At least once a year the Executive and Non-Executive Directors review and discuss: the strategy; the strategic, operational, compliance and financial risks; the internal control framework and the adequacy of the internal controls.

Each of the Non-Executive Directors is independent in the meaning of the Dutch Corporate Governance Code. The Group's Executive Director Mr. Amar is presently the Group's largest shareholder, holding (directly and indirectly) approx. 15% of the Group's shares. In addition, Mr. Amar holds 7% Convertible Loan Notes due 2019 amounting to € 2,025,000. Adequate procedures are in place which safeguard that Mr. Amar acts in the interests of the Group, and will act in accordance with good governance.

Board of Directors

Powers, composition and function

The Board of Directors as a whole manages the Group's business and affairs. Within the Board of Directors, the Executive Directors are responsible for the day-to-day operations, whilst the Non-Executive Directors supervise the policies pursued by the Executive Directors. Pursuant to the Articles of Association the Board of Directors must consist of at least one Executive and two Non-Executive Directors. The number of Executive and Non-Executive Directors shall be determined by the Board of Directors.

At present the Board of Directors consists of three Non-Executive Directors and one Executive Director. The Board of Directors may give Executive Directors the title Chief Executive Officer and/or Chief Financial Officer, and may give one of the Non-Executive Directors the title Chairman of the Board of Directors. The Board of Directors as a whole and each of the Executive Directors acting individually, is entitled to represent the Group.

The Board of Directors is entitled to perform all acts necessary for achieving the corporate objectives except those prohibited by applicable laws and regulations or by the Articles of Association.

Pursuant to the Articles of Association, the members of the Board of Directors are appointed by the General Meeting from a nomination prepared by the Board of Directors for a maximum period of four years. An appointment by the General Meeting of a Director without a nomination by the Board of Directors requires an absolute majority of the votes representing more than half of the issued capital.

The General Meeting may at all times suspend or dismiss a Director. In addition, the Board of Directors may at all times suspend a Director. A resolution of the General Meeting to suspend or to dismiss a Director, other than in accordance with a proposal of the Board of Directors, shall require an absolute majority of the votes cast representing more than half of the issued share capital. A Director's suspension shall terminate if within three months after the effective date of his suspension the General Meeting has not passed a resolution to remove him from office or to lift or to extend the suspension. The period of extension of a Director's suspension may not exceed three months from the date on which the resolution to extend the suspension was passed. The prior approval of the General Meeting is required for resolutions of the Board of Directors on a major change of the identity or the character of the Group or the enterprise, including in any case:

- transfer of the enterprise or almost the entire enterprise to a third party;

- conclusion or severance of permanent cooperation of the Group or a subsidiary with another legal entity or Group either as a fully liable partner in a general partnership, in case said cooperation or severance will be of far-reaching importance to the Group; and

- taking or disposing of a participation in the capital of a Group worth at least one third of the amount of the assets in accordance with the balance sheet with explanatory memorandum or, in case the Group will draw up a consolidated balance sheet, in accordance with the consolidated balance sheet with explanatory memorandum in accordance with the latest adopted annual accounts.

The Board of Directors may adopt board regulations. The current board regulations are published on the Group's website www.esperite.com.

Powers, composition and function

During 2016 the Board of Directors performed a self-assessment. The questionnaire used as tool for this self-assessment is based on a template of a law firm and tailored by the chairman of the Selection, Appointment and Remuneration committee.

The self-assessment focused on the following items:

1. Institutional and procedural aspects
- Functioning of the Board of Directors as a whole in this respect
- Personal perception of the board members in this respect
2. Relational aspects

All board members responded individually to the questionnaire. The scope of the questionnaire referred to the individual board members and the board as a whole including its committees. The results have been consolidated and discussed during a SAR committee meeting. Based on the discussion recommendations have been defined. The implementation of these recommendations is an ongoing process.

The self-assessment will be performed periodically.

Non-Executive Directors
The Non-Executive Directors supervise the policies pursued by the Executive Director. Strategic decisions are always discussed by the Executive Director with the Non-Executive Directors. The main strategic issues discussed in depth and frequently with the Non-Executive Directors in 2017 were the roll-out of the strategy pursuant to which the Group entered the fields of predictive medicine, the related refocus and restructuring of the Group´s operations and cost saving programs, financing needs and potential solutions hereto, working capital management, new business, communication with stakeholders and the performance of senior management.

Board of Directors' committees
Although the Group is not required to do so under the Dutch Corporate Governance given the current number of Non-Executive Directors, the Board of Directors has appointed from amongst its Non-Executive Directors an Audit Committee and a Selection, Appointment and Remuneration Committee.

Audit Committee
The Audit Committee consists of Gert-Jan van der Marel and Vincent Borgeot and is chaired by Gert-Jan van der Marel. The Audit Committee meets at least twice a year and as otherwise required by the Chairman of the Audit Committee. The Audit Committee is responsible for ensuring that the financial performance is properly monitored, controlled and reported. It also meets the auditors at least once a year without the executive director, reviews their findings and discusses any accounting and audit judgments. The duties of this permanent committee are defined by the charter of the Audit Committee, which is published on our website www.esperite.com.

The Audit Committee concluded in the past that no internal audit department is required given the small size of the Group. However, senior staff from head office frequently visits the subsidiaries and checks compliance with Group policies and standards as set out in its Internal Control Framework. Furthermore, internal audits were performed by senior management on compliance with local law and regulations for our accredited entities.

The Audit Committee met three times during 2017, most of the meetings were attended by the auditor of the Group.

Selection, Appointment and Remuneration Committee
The Selection, Appointment and Remuneration Committee consists of Ronald H.W. Lorijn and Gert-Jan van der Marel and is chaired by Ronald H.W. Lorijn. The Selection, Appointment and Remuneration Committee is responsible for the implementation of the Executive Directors' remuneration policy and its costs. Within the framework of the remuneration policy determined by the General Meeting, the Selection, Appointment and Remuneration Committee determines the base salary, performance related remuneration and share options, as well as any other benefits for the Executive Directors. The duties of this permanent committee are defined by the charter of the Selection, Appointment and Remuneration Committee, which is published on our website www.esperite.com.
The Selection, Appointment and Remuneration Committee had four regular meetings in 2017.

Diversity
Currently there is no diversity policy in place. In this respect ESPERITE N.V. deviates from best practice requirement 2.1.5 and 2.1.6 of the Dutch Corporate Governance Code. Selection of members of the Board of Directors will continue to be based on such criteria as nationality, age, gender, and education and work background, with due regard for the importance of a balanced composition.
A target ratio of 40 percent women by year-end 2017 has been set for the management level below the Management Board. This target has currently been met.

Auditors
As per press release on 27 November 2017 the Company announced the nomination of Accon AVM as the auditor for the financial statements 2017. In the Annual General Meeting of Shareholders of 2018 the appointment has to be approved by the shareholders. Subject to this approval the auditor will be present at the General Meeting of Shareholders and may be questioned with regard to his statement on the fairness of the financial statements. The auditor attends at least once a year a meeting of the Audit Committee at which the financial statements are discussed.

Internal controls
Internal controls are in place to mitigate financial risks as well as operational risks. These internal controls are captured in an Internal Control Framework ('ICF'), based upon the COSO ERM framework, identifying potential risks and appropriate internal procedures to mitigate these risks. The ICF is applicable to all operating companies. Implementation and maintenance is the responsibility of the Executive Directors, compliance is supervised by the Audit Committee.
Information on the functioning of the system was collected on a continuous basis. Based on developments within and external to the Company, as well as findings from the monitoring and reporting efforts, it can be concluded that the internal control functioned for the year 2017.

Investor relations
ESPERITE publishes annual and semi-annual press releases and reports, and a trading update on the first and third quarter. In addition to communication with its Shareholders at the Annual General Meeting of Shareholders, the Group elaborates its financial results in analyst and investor meetings and presentations. Presentations shared during these meetings are made available to all investors via the website. The Group adheres to applicable rules and regulations on fair and non-selective disclosure and equal treatment of shareholders.

Social entrepreneurship
The most critical issues of social entrepreneurship are safety, reliability, trust and compliance with international and local laws and regulations. To comply with these social conditions, the Group has strict procedures and policies in place, which has to be adhered to. Compliance is monitored internally by internal audits, according to the policies as set out by the regulatory bodies. Also these regulatory bodies frequently visit the offices for an audit.

Related party transaction and conflicts of interest
The Group complied with best practice provisions in paragraph 2.7. There were no material related party transactions between the Group and its Executive and Non-Executive Directors, other than disclosed in note in note 39 and 56.

Takeover directive
To the extent it has not been included in this annual report, the following information is provided pursuant to the Decree on Article 10 of the Takeover Directive:

Capital structure
ESPERITE's authorised share capital amounts to four million eight hundred thousand euro (€ 4,800,000). As at the date hereof, ESPERITE's issued share capital amounts to 19,220,008 ordinary shares, each with a nominal value of ten euro cents (€ 0.10) and 31 sub-shares with a nominal value of two euro cents (€ 0.02). Each share grants the right to one vote.
Limitations on the transfer of shares
The Group has not imposed any limitations on the transfer of shares or depositary interests.

Substantial holdings
A list of the substantial holdings in ESPERITE N.V. is included in the section “Information for Shareholders”.

Special controlling rights
No special controlling rights are attached to ESPERITE shares.

Employee stock option scheme
For a description of the Group’s share option scheme’s, see “Corporate Governance - Share Option Schemes”

Limitations on voting rights
Each share grants the right to one vote. The voting rights attached to shares in the Company are not limited and the terms for exercising the voting rights are not limited.

Agreements on limitations on the transfer of shares
The Group is not cognisant of agreements with a shareholder that could give cause to a limitation on the transfer of shares or a limitation on voting rights.

Appointment and dismissal of members of the Board of Directors, and amendments of the Articles of Association
For a description of the appointment and dismissal of the members of the Board of Directors, see “Corporate Governance – Board of Directors”. For a description of the amendment of the Articles of Association”, see “Corporate Governance – Amendment of the Articles of Association, merger and demerger”

The Board of Directors’ powers
For a description of the powers of the Board of Directors, see “Corporate Governance – Board of Directors”.
On 4 July 2017, the Annual General Meeting of Shareholders (the 2017 AGM) granted the Board of Directors two powers.

The first power relates to delegation to the Board of Directors of the powers to (a) issue, and grant rights to subscribe for, shares in the capital of the Company up to a maximum aggregate issuance price of € 7,000,000; and (b) restrict or exclude the pre-emptive rights in connection with such issue of, or grant of rights to subscribe for shares in the capital of the Company, each for a period of 18 months from the date of the AGM.

The second power relates to delegation to the Board of Directors, for a period of 18 months from the date of the AGM, of the power to acquire - through purchases on Euronext Amsterdam or otherwise - up to a maximum of 10% of the issued share capital of the Company as at the date of the AGM by acquiring shares for a purchase price not less than €0.10 and not higher than the average closing price over the five trading days prior to the date of acquisition at Euronext Amsterdam plus a 10% premium.

Changes in the control of the Company
The Group is not a party to significant agreements that are concluded, amended or dissolved subject to the condition of a change in the control of ESPERITE following the issue of a public takeover bid as referred to in Article 5:70 of the Financial Supervision Act.

Redundancy agreements
The Group has not concluded agreements with any member of the Board of Directors or employees which provide for a redundancy payment in the event of a public takeover bid as referred to in Article 5:70 of the Financial Supervision Act.

Statement by the Executive Director

The Executive Director of ESPERITE N.V. ('the Group') is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code. The financial statements consist of the Consolidated financial statements and the Company financial statements. The responsibility of the Executive Director includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable.

The Executive Director is also responsible for the preparation of the Report of the Board of Directors that is included in this 2017 Annual Report. The Annual Report has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

In the Annual Report, the Executive Director endeavors to present a fair review of the business situation at balance sheet date and of the state of affairs in the year under review. The analysis contains a selection of some of the main developments in the financial year and can never be exhaustive.

The Group has identified the main risks it faces, including financial reporting risks. These risks can be found in the paragraph Risk management. In line with the Dutch Corporate Governance Code and the Dutch Financial Supervision Act, the Group has not provided an exhaustive list of all possible risks. Furthermore, developments that are currently unknown to the Executive Director or considered to be unlikely may change the future risk profile. As explained in the paragraph Risk management, the Group must have internal risk management and control systems that are suitable for the Group. The design of the Group's internal risk management and control systems has been described in the paragraph Risk Management.

The financial statement closing process has been challenging. During 2016 the Company moved the accounting department from Zutphen to Geneva. At the same time and during 2017, several improvements in the system were made, internal controls redefined and implemented. These improvements are expected to elevate the internal control system. Due to technical issues the Company encountered operational challenges in the financial closing process.
The objective of these systems is to manage, rather than eliminate, the risk of failure to achieve business objectives and the risk of material errors to the financial reporting. Accordingly, these systems can only provide reasonable, but not absolute assurance against material losses or material errors.

As required by provision 1.4.3 of the 2016 Dutch Corporate Governance Code and section 5:25c(2)(c) of the Dutch Financial Supervision Act and on the basis of the foregoing and the explanations contained in the paragraph Risk management, the Executive Director confirms that to his best of knowledge and belief, and with due consideration of the above:

- the Group's internal risk management and control systems in regard to financial reporting risks did sufficiently provide a reasonable assurance that the Group's financial reporting over 2017 does not contain any errors of material importance;
- the Group's risk management and control systems in regard to financial reporting risks can be considered sufficiently effective for the financial year.;
- the financial statements give a true and fair view of the assets, liabilities, financial position, and result of the 'Group and the entities included in the consolidation;
- the 2017 Annual Report includes a fair review of the situation at the balance sheet date, the developments during the financial year of the Group, and entities included in the consolidation, together with a description of the principal risks that the Group faces.

Based on the current state of affairs, it is justified to conclude that the financial reporting has been prepared on a going concern basis. In this respect the material risks and uncertainties as disclosed in the going concern paragraph as included in the Financial Review and note 2.c of the Consolidated Financial statements are relevant regarding the expectation of the Company's continuity for the period of twelve months after the preparation of the report.

Frederic Amar
Chief Executive Officer, ESPERITE N.V.

23 November 2018

FINANCIAL STATEMENTS

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Consolidated Statement of profit or loss

for the year ended 31 December in thousands of euros

	Note	2017	2016
Revenue	9	**16.553**	26.254
Cost of sales	10	**(5.656)**	(11.582)
Gross profit		**10.897**	14.672
Marketing and sales expenses	11	**5.310**	8.908
Research and development expenses	12	**-**	1
General and administrative expenses	13	**10.089**	10.734
Total operating expenses		**15.399**	19.643
EBITDA		**(4.502)**	(4.971)
Depreciation and amortization	15	**(2.784)**	(2.944)
Impairment loss	15	**(5.550)**	(987)
Operating result		**(12.836)**	(8.902)
Finance income	16	**3.331**	323
Finance costs	17	**(4.041)**	(889)
Net finance (costs)/income		**(710)**	(566)
Results relating to equity-accounted investees	23	**681**	(270)
Result before taxation		**(12.865)**	(9.738)
Income tax expense	18	**18**	(1.200)
Result for the year		**(12.883)**	(8.538)
Attributable to:			
– Equity holders of the Company		**(12.722)**	(8.407)
– Non-controlling interest		**(161)**	(131)
Result for the year		**(12.883)**	(8.538)
Earnings per share (in euro cents)	19		
– Basic earnings per share		**(92.9)**	(81,2)
– Diluted earnings per share		**(92.9)**	(81,2)

Consolidated Statement of comprehensive income

for the year ended 31 December in thousands of euros

	2017	2016
Result for the year	**(12.883)**	(8.538)
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent period (net of tax):		
Foreign currency translation differences	**51**	9
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**51**	9
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):		
Remeasurement gains (losses) on defined benefit plans	**(123)**	(208)
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods	**(123)**	(208)
Other comprehensive income for the year, net of tax	**(72)**	(199)
Total comprehensive income for the year, net of tax	**(12.955)**	(8.737)
Attributable to:		
– Equity holders of the Company	**(12.794)**	(8.606)
– Non-controlling interest	**(161)**	(131)
Total comprehensive income for the year, net of tax	**(12.955)**	(8.737)

Consolidated Statement
of financial position

at end of year in thousands of euros

	Note	2017	2016
Assets			
Intangible assets	20	**14.871**	19.703
Property, plant and equipment	21	**6.742**	9.554
Investments in equity-accounted investees	23	**165**	-
Deferred tax assets	24	**1.943**	2.264
Trade and other receivables	25	**1.962**	1.941
Total non-current assets		**25.683**	33.462
Inventories	26	**256**	350
Trade and other receivables	27	**7.130**	8.189
Current tax assets	28	**120**	93
Cash and cash equivalents	29	**694**	386
Total current assets		**8.200**	9.018
Total assets		**33.883**	42.480

Consolidated Statement
of financial position

at end of year in thousands of euros

	Note	2017	2016
Equity	30		
Issued capital		**1.922**	1.038
Share premium		**46.130**	39.880
Legal reserve		**272**	272
Revaluation reserve		**-**	-
Translation reserve		**(1.907)**	(1.958)
Retained earnings		**(45.015)**	(32.293)
Equity attributable to equity holders of the Company		**1.400**	6.939
Non-controlling interest		**(430)**	(268)
Total equity		**970**	6.671
Liabilities			
Borrowings	31	**5.661**	5.339
Provision for negative equity investees	23	**-**	335
Deferred revenue	32	**11.347**	11.790
Net employee defined benefit liabilities	33	**689**	930
Deferred tax liabilities	24	**568**	900
Other liabilities		**92**	75
Total non-current liabilities		**18.357**	19.369
Borrowings	31	**459**	235
Trade and other payables	34	**13.041**	15.103
Deferred revenue	32	**1.000**	1.029
Current tax liabilities	35	**54**	73
Total current liabilities		**14.554**	16.440
Total liabilities		**32.911**	35.809
Total equity and liabilities		**33.883**	**42.480**

Consolidated Statement
of changes in equity

in thousands of euros

	Issued capital	Share premium	Legal reserve	Revalua-tion reserve	Translation reserve	Trea-sury shares	Retained earnings	Equity attributable to equity holders of the Company	Non con-trolling interests	Total Equity
At 1 January 2016	**1.021**	**39.598**	**266**	**75**	**(1.967)**	**–**	**(23.603)**	**15.390**	**(137)**	**15.253**
Exchange differences on translating foreign operations	-	-	-	-	9	-	-	9	-	9
Remeasurement gains (losses) on defined benefit plans	-	-	-	-	-	-	(208)	(208)	-	(208)
Other comprehensive income	-	-	-	-	9	-	(208)	(199)	-	(199)
Result for the year	-	-	-	-	-	-	(8.407)	(8.407)	(131)	(8.538)
Comprehensive income for the year					9		(8.615)	(8.606)	(131)	(8.737)
Issued shares	17	366	-	-	-	-	(150)	233	-	233
Share based payments	-	-	-	-	-	-	10	10	-	10
Transaction costs of convertible loan notes	-	(84)	-	-	-	-	(4)	(88)		(88)
Utilization of revaluation reserve	-	-	-	(75)	-	-	75	-	-	-
Other movements	-	-	6	-	-	-	(6)	-	-	-
At 31 December 2016	**1.038**	**39.880**	**272**	**-**	**(1.958)**	**–**	**(32.293)**	**6.939**	**(268)**	**6.671**

	Issued capital	Share premium	Legal reserve	Revalua-tion reserve	Translation reserve	Trea-sury shares	Retained earnings	Equity at-tributable to equity holders of the Company	Non con-trolling interests	Total Equity
At 1 January 2017	**1.038**	**39.880**	**272**	**-**	**(1.958)**	**-**	**(32.293)**	**6.939**	**(268)**	**6.671**
Exchange differences on translating foreign operations	-	-	-	-	51	-	-	51	-	51
Remeasurement gains (losses) on defined benefit plans	-	-	-	-	-	-	(123)	(123)	-	(123)
Other comprehensive income	-	-	-	-	51	-	(123)	(72)	-	(72)
Result for the year	-	-	-	-	-	-	12.722	12.722	(161)	12.883
Comprehensive income for the year	-	-	-	-	51	-	12.845	12.794	(161)	12.955
Issued shares	884	6.250	-	-	-	-	-	7.134	-	7.134
Share based payments	-	-	-	-	-	-	88	88	-	88
Transaction costs of convertible loan notes	-	-	-	-	-	-	5	5	-	5
Utilization of revaluation reserve	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	30	30	(1)	29
At 31 December 2017	**1.922**	**46.130**	**272**	**-**	**(1.907)**	**-**	**(45.015)**	**1.400**	**(430)**	**970**

Consolidated Statement
of cash flows

for the year ended 31 December in thousands of euros

	Note	2017	2016
Cash flows from operating activities			
Result for the year		**(12.883)**	(8.538)
Adjustments for:			
Income tax expense	18	**18**	(1.200)
Finance costs	17	**4.041**	889
Finance income	16	**(3.331)**	(323)
(Gain)/loss on sale of disposals of PP&E		**(30)**	2
Depreciation and amortization	15	**2.783**	2.944
Impairment loss on (in)tangible assets	15	**5.550**	987
Share based payment transactions		**88**	10
Results relating to equity-accounted investees		**(681)**	270
		(4.445)	(4.959)
Movements in working capital			
(Increase)/decrease in (non) current trade and other receivables		**3.576**	3.369
(Increase)/decrease in inventories		**94**	60
(Increase)/decrease in current tax assets		**308**	461
Increase/(decrease) in (non) current liabilities		**(2.338)**	1.176
Increase/(decrease) in current tax liabilities		**(503)**	1.391
Net cash from operations		**(3.310)**	1.498
Interest paid		**(267)**	(471)
Interest received		**133**	323
Income taxes paid/(received)		**(75)**	(31)
Net cash from operating activities		**(3.519)**	1.319

Consolidated Statement
of cash flows

for the year ended 31 December
in thousands of euros

	Note	2017	2016
Cash flows from investing activities			
Purchase of property, plant and equipment	21	**(281)**	(447)
Capitalized internally developed intangibles and purchase of other intangibles	20	**(510)**	(1.015)
Disposals of non-current assets		**19**	76
Net cash (used in)/generated by investing activities		**(772)**	(1.386)
Cash flows from financing activities			
Issue shares	30	**248**	-
Proceeds from borrowings	31	**4.300**	-
Repayment of borrowings		**-**	(67)
Net cash generated by/(used in) financing activities		**4.548**	(67)
Net increase/(decrease) in cash and cash equivalents		**257**	133
Cash and cash equivalents at 1 January		**386**	510
Exchange differences on cash and cash equivalents		**51**	9
Cash and cash equivalents at 31 December	29	**694**	386

Notes to the Consolidated financial statements

for the year ended 31 December
in thousands of euros

1 Reporting entity

ESPERITE N.V. ('the Company') is a public company incorporated under the laws of The Netherlands registered at the Chamber of Commerce under number 27187482. The address of its registered office and principal place of business is Herengracht 282, 1016 BX, The Netherlands.

The consolidated financial statements of the Company as at and for the year ended 31 December 2017 comprise the Company and its subsidiaries ('the Group') and the Group's interest in equity accounted investees and jointly controlled entities. All intragroup balances and transactions are eliminated.

The Group's business consists of:
Regenerative medicine by Stem cells cryopreservation, the collection, processing and storage of human adult stem cells collected from the umbilical cord blood, and the umbilical cord itself, at birth.

Precision medicine by Genoma the Group's activity in the fields of proteomics and genomic predictive medicine.

The Group's R&D division, The Cell Factory. The Cell Factory implements its own proprietary new technology for clinical grade production of autologous mesenchymal and stromal stem cells.

OUTPUT Pharma Services GmbH is a Clinical Trial Management Organization which supports the pharmaceutical and biotech companies to achieve a successful performance of the clinical trial.

2 Basis of preparation

a. Statement of compliance

The consolidated financial statements of the Group have been prepared on going concern principles and in accordance with International Financial Reporting Standards (IFRS) prevailing as per 31 December 2017, 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 2017. They also comply with the financial reporting requirements included in Section 9 of Book 2 of the Netherlands Civil Code prevailing as per 31 December 2017, as far as applicable.

The consolidated financial statements were authorized for issue by the Board of Directors on 23 November 2018. The financial statements as presented in this report are subject to adoption by the Annual General Meeting of Shareholders, to be held on 8 January 2019.

b. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

c. Going concern

Introduction
Esperite Group manages different independent entities focused on regenerative and predictive medicine. For each of the independent entities a budget has been prepared.

These budgets have been extensively discussed and have been approved by the Board of the Company.

The budget takes into account the financing obtained early March 2017. Esperite expects to gain from the investments made and future investments in market development which will result in increase of sales.

The consolidated budget includes the EBITDA for the segments and identifies the management cost of Esperite NV. The budget includes the existing businesses and new products or new activities already announced publicly.

Cryosave

Esperite anticipates an increase of the global stem cell business and it expects its revenues from successful stored samples to increase as a result of the investments made in market development.

Cryosave also distributes through its network some of the tests marketed by Genoma that are related to the Reproductive Health activity. Additional future growth of revenue will come from the introduction of new product lines like Whole Genome Sequencing, Carrier Screening Tests and other innovative products and opportunities linked to Cyrosave business. Cryosave continues to extend its territories into Ukraine, Bosnia and Norway.

The proceeds of revenue and savings from cost control will be used for market development opportunities and to reduce the current debt with suppliers.

Genoma

Genoma expects a positive development of its activities. The business model of Genoma is cash flow positive. Genoma has developed and successfully launched AGAATA™, a fully certified diagnostic system based on the Next Generation Sequencing technology (NGS). It allows laboratories to perform their own genetic analysis with the bioinformatics and exclusive methods developed by Genoma. Several contracts have already been signed with large laboratories and hospitals and will be extended in 2018. Two main suppliers support the distribution ofAGAATA™ and its specific diagnostic tests.

New Business

WGS (Whole Genome Sequencing)

In January 2018 Esperite announced a partnership with the world's largest genome sequencing center. Esperite's new partner will provide the infrastructure and the technology for massive sequencing of the whole genome. The Whole Genome Sequencing (WGS) is the grail of the genetic diagnostic technology. It allows the complete translation of every single information contained.
Once sequenced, the samples provided will be converted into raw data files and then analyzed by the technology developed by Genoma.
Cryosave will offer the WGS additionally to the current packages of services to its clients willing to store the stem cells of their children and Genoma will offer the WGS to its entire network of professionals, laboratories, hospitals and distributors.

CDMO (Contract Development Manufacturing Organization)

Esperite has established a new business unit offering a CDMO service. "TCF-CDMO" company (a temporary name) is established as an independent legal entity in Belgium (Niel) and in Switzerland (Geneva). The aim of the project is to create a new value using the existing resources and infrastructure of the Esperite Companies. In particular, the infrastructure available at the Cell Factory in Niel will be used for GMP (Good Manufacture Practices) manufacturing of the EVs (ExtraCellular Vesicles) biologic drugs and the ATMPs (Advanced Therapy Medicinal Products) products. TCF-CDMO company will be operational in a short time with limited investments. CDMO company is focused on the niche service in the EVs field as communicated on in March 2018.

Cash position and cash flow projection

The cash position of Esperite increased from € 0.4 mio (31 Dec 2016) to € 0.7 mio as per 31 December 2017.

In March 2017, Esperite concluded a new financing arrangement of up to € 13 million to support its commercial activity and development of innovative technologies for Genoma and regenerative medicine for Cryo-Save and Cell Factory. The investor is European Select Growth Opportunities Fund, a fund based in Australia and managed by L1 Capital Pty Ltd.
The financing arrangement consists of a private placement of € 1 million launched on 8 March 2017 through the issuance of convertible notes with share subscription warrants attached. Furthermore, this financing arrangement consists of a maximum additional potential financing of up to € 8 million through similar further private placements of convertible notes with share subscription warrants attached over the next 36 months, subject to fulfilment of certain conditions. Upon the exercise of all share subscription warrants, the total investment can reach € 13 million. For the details about the main characteristics and conditions to this financing arrangement reference is made to note 31.
Total amount received under the financing program for 2017 amounted to € 4.3 million in shares and € 0.2 million in share subscription warrants. At the end of 2017 € 4.7million of the convertible loan notes facility was available. In addition, € 3.8 million under the share subscription warrants are potentially available.

In June 2018 an extension of the financing arrangement with European Select Growth Opportunities Fund has been concluded. The extension, with similar conditions as the current arrangement, has a term of 24 months and amounts in total up to €7.3 million.

Preliminary EBITDA until 30 June 2018 is in line with budget and still negative. Esperite is expecting to be able to increase EBITDA and turn it positive in the foreseeable future. The negative EBITDA until now has been financed by the ongoing contributions from European Select Growth Opportunities Fund. The expected tranches of the additional financing from European Select Growth Opportunities Fund are planned according to best estimate. The new businesses are expected to be cash flow neutral. The EBITDA gained with these activities will be invested in new developments.

Going concern assessment by Management

For the Group to operate as a going concern, it is clear that meeting the budget expectations of existing and new business together with the timely available cash from the investor European Select Growth Opportunities Fund is the key to success. Although the timing of the tranches is depending on certain events, the Company anticipates that the funding will be available in time. In case of breach of covenants the investor needs to waive these covenants. Although the Company breached the covenants since May 2017 the investor maintained its investments in the Company. Management expects that in case of breaching the covenants, the investor will continue with its investments in the Company.

Extensive efforts have been put into evaluating budgets and forecasts on the most recent available market information. The budgets and forecasts underlying the going concern assessment anticipate an increase of the stem cell and Genoma business for 2018 compared to 2017. In the second half of 2018 the business is expected to grow due to effects of the market development which are being initiated.

Management anticipates a further recovery of the profitability in CryoSave and to substantially improve the results of Genoma during 2018 based on the aforementioned expectations and new business initiatives.
Management has confidence to meet those expectations. This outcome however is uncertain as a major part of the anticipated revenues are not yet confirmed. Management also refers to note 20 in the financial statements on Intangible Assets and impairment testing and to note 24 Deferred tax assets and liabilities which describes the impact of the aforementioned uncertainties on the valuation of these balance sheet items.
As per 31 December 2017, the Company had €0.7 million cash and cash equivalents available. In order to execute on the new strategy of the Company, Management acknowledges that the free available cash is not sufficient at the moment.

Going concern is mainly dependent on meeting budgets and forecasts. Notwithstanding the specified uncertainties Management is of the opinion that the application of the going concern assumption for the 2017 financial statements is appropriate, based on the following facts and circumstances:

- The Company expects growth for the existing business of CryoSave and Genoma
- Although current Group EBITDA is negative, management expects sufficient liquidity to operate the business without interruption through the contribution by the investor European Select Growth Opportunities Fund.

d. Functional and presentation currency
These consolidated financial statements are presented in Euro ('€'), which is the Company's functional currency. The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates and translated to the reporting currency of the Group (its functional currency). All financial information presented in euro has been rounded to the nearest thousand, unless otherwise stated.

e. Use of estimates and judgments
The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. The estimates and assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The critical accounting estimates and judgments in preparing the consolidated financial statements are explained in note 4.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

f. Change in accounting estimates and accounting policies
Change in accounting estimates
Besides the regular changes as part of the impairment review process, as disclosed in note 4, the following significant changes in accounting estimates occur.

The Company changed its main estimates in relation to the impairment testing regarding the goodwill on the Stem Cell Segment. In the past the discount rate was determined on WACC calculations only. For 2017 the Company has also taken into consideration current market transactions for similar assets and the WACC of a listed entity that has assets similar in terms of service potential and risks to the assets under review. Besides the lower discount rate also the expected growth rate has been adjusted accordingly. The changes in estimates and the impact thereof are:
- The discount rate has been lowered from 15.8% to 12.7%
- The expected growth rate for revenue decreased from 20% to 10%.

If the same assumptions would have been applied in conformity with last year, the value in use would have amounted to € 28.6 million compared with the value in use considered in these financial statements amounting to € 15.5 million.

Applying this year's estimates resulted in an impairment amounting to € 3.1 million. If last year's estimates were applied no impairment would have been recognized.
In this respect reference is made to note 20 regarding Intangible assets.

g. Reclassifications
Starting in 2017 cash restricted with regard to bank guarantees have been classified as non-current asset being part of trade and other receivables. Before restricted cash with regard to bank guarantees were included in cash and cash equivalents. Comparative figures have been adjusted accordingly.

3 Significant accounting policies

The accounting policies detailed below have been applied consistently to all periods presented in these consolidated financial statements, and by all subsidiaries, except as explained in note 2f, which addresses changes in accounting policies.

Business combinations
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

• Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
• Exposure, or rights, to variable returns from its involvement with the investee
• The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
• The contractual arrangement with the other vote holders of the investee
• Rights arising from other contractual arrangements
• The Group's voting rights and potential voting rights

In business combinations, identifiable assets and liabilities, and contingent liabilities are recognized at their fair values at the acquisition date. Determining the fair value requires significant judgments on future cash flows to be generated. The fair value of brands, customer relationships, contracts with insurers and distributors and order backlog acquired in a business combination is estimated on generally accepted valuation methods.

Initially the fair values are determined provisionally, and will then be subject to change based on the outcome of the purchase price allocation which takes place within 12 months window from the acquisition date.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at their acquisition date. The excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events (earn outs or deferred acquisition payments), the Group will recognise the contingent consideration to be transferred by the acquirer at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of IAS 39, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

In 2017 the Group did not enter into any business combination.

Investment in associates and joint ventures
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee,but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.
The Group's investments in its associate and joint venture are accounted for using the equity method.
Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Non-controlling interests
Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity, since the date of the combination. Losses applicable to the minority in excess of the non-controlling interest in the subsidiary's equity are recognized.

Current versus non-current classification
The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Foreign currencies
Foreign currency transactions and balances
In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded, on initial recognition at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Exchange differences, arising on the settlement of monetary items and on the re-translation of monetary items, are recognized in profit or loss in the period in which they arise

The following exchange rates against the euro have been used in these financial statements:

	Statement of financial position 31-Dec 2017	**Statement of income 2017**	Statement of financial position 31-Dec 2016	Statement of income 2015
Bulgarian leva	**1.96**	**1.96**	1.96	1.96
Hungarian forint	**309.87**	**309.52**	309.95	311.46
Serbian dinar	**118.30**	**121.32**	123.26	122.94
Swiss franc	**1.16**	**1.16**	1.07	1.09
South African rand	**14.71**	**14.92**	14.46	16.21
United States dollar	**1.24**	**1.22**	1.06	1.10

Financial statements of Group companies
For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Euro's using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's currency translation reserve. Such exchange differences are recycled through profit or loss in the period in which the foreign operation is disposed of.

Net investment in foreign operations
Net investment in foreign operations includes equity financing and long-term intercompany loans for which settlement is neither planned nor likely to occur in the foreseeable future. Exchange rate differences arising from the translation of the net investment in foreign operations are taken to the currency translation reserve in shareholders' equity through OCI.

When a foreign operation is disposed of, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on disposal.

Intangible assets
Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets and liabilities of the acquired subsidiary, equity accounted investees or joint venture at the date of acquisition. Goodwill recognized for acquisitions represents the consideration made by the Group in anticipation of the future economic benefits from assets

that are not capable of being individually identified and separately recognized. These future economic benefits relate to, for example, opportunities with regard to cost efficiencies such as sharing of infrastructure.
Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of equity accounted investees is included in investments in equity accounted investees and consequently not tested for impairment separately. Such goodwill is carried at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity that is sold.
Goodwill acquired in a business combination is not amortized. Instead, the goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.
Goodwill is allocated to the cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Identified intangible assets
Intangible assets identified in an acquisition, such as customer relationship, brand name, contracts with insurers and distributors, order backlog and re-acquired rights are initially valued against fair value. Subsequent to initial recognition these assets are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization of identified intangible assets is charged to the income statement, over their estimated useful life, using the straight-line method on the following bases:

Brand name	20 years - indefinite
Customer relationship	3-7 years
Contracts with insurers and distributors	3-9 years
Re-acquired rights	4-5 years
Other identified intangible assets	5 years

Internally generated intangible assets
Internally generated intangible assets relate to the development costs of new product, and represent the sum of expenditures incurred from the date when the intangible asset first meets the recognition criteria under IFRS. These expenditures comprise all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. These costs are mainly costs of materials and services used or consumed in generating the intangible asset, and costs of employee benefits arising from the generation of the intangible asset.

Internally generated intangible assets are stated at cost less accumulated amortization and any impairment losses. The amortization method applied is the straight-line method. Amortization begins when the assets are available for use. The estimated useful life of internally generated intangible assets is three years.

An intangible asset arising from development or from the development phase of an internal project is recognized only if the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale and comply with the following other requirements: the intention to complete the development project; the ability to sell or use the product; demonstration of how the product will yield probable future economic benefits; the availability of adequate technical, financial, and other resources to complete the project; and the ability to reliably measure the expenditure attributable to the project.

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

No intangible asset from research or from the research phase of an internal project is recognized. Expenditure on research or the research phase of an internal project is recognized as an expense when incurred.

Other intangible assets
This includes items such as capitalized software and software license. Amortization is recognized as a cost and calculated on a straight-line basis over the asset's expected useful life. The amortization period is three years.

Property, plant and equipment
Property, plant and equipment, consisting of land and buildings, lab equipment, and other assets such as computer and office equipment and vehicles, is valued at cost less accumulated depreciation and any impairment losses.
When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.
Depreciation of property, plant and equipment is charged to the income statement, over their estimated useful life, using the straight-line method on the following bases:

Buildings	30 years
Office equipment	10 years
Laboratory equipment	5-10 years
Vehicles	5 years
Computer equipment	3 years
Land	no depreciation

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Impairment of non-current assets
At each balance sheet date, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. Goodwill and indefinite life intangibles are tested for impairment annually independently whether such a indication exist. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.
An impairment loss in respect of goodwill is not reversed.

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Upon initial recognition the finance leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.
Operating lease payments are recognized as an expense on a straight-line basis over the lease

term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Financial assets
Investments are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract which terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets at fair value through profit or loss, which are initially measured at fair value.

Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Such assets are recognized initially at fair value plus directly attributable transaction costs. Loans and receivables are measured at amortized cost using the effective interest method less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Trade and other receivables are initially carried at their fair value and subsequently measured at cost less any impairment. The impairment is based on both collective and individual basis.

Trade and other receivables which are not expected to be realized within 12 months after the balance sheet date are classified as non-current assets.

Effective interest method
The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Income is recognized on an effective interest basis for debt instruments.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each balance sheet date.

Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.
When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized as a gain in the statement of profit or loss. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Inventories
Inventories are assets in the form of materials or supplies to be consumed in the collection and extraction process or in the rendering of services. Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents
Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Convertible loan notes
Convertible loans are separated into liability and equity components based on the terms of the contract. On issuance of the convertible loan, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in equity. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

Deferred revenue
Deferred revenue represents the part of the amount invoiced to stem cell customers that has not yet met the criteria for revenue recognition. Deferred revenue is recognized at its fair value at inception and subsequently released to the statement of profit and loss in line with the contract terms. The fair value is determined by using the net present value of the future storage costs (taking into account future inflation and interest) including a reasonable profit margin (i.e. cost plus margin method).

Deferred revenue that relates to services which are not expected to be rendered within 12 months after the balance sheet date are classified as non-current liabilities.

Trade and other payables
Initially these liabilities are recognized at fair value minus directly attributable transaction costs. Subsequently these financial liabilities are measured at amortized cost using the effective interest method.

Taxation
Income tax expense represents the sum of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, and any adjustment to tax payable in respect of previous years. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and are accounted for using the balance sheet liability method.
Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and equity accounted investees, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited in the other comprehensive income, in which case the tax is also recognized in the other comprehensive income, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Borrowings
Borrowings are recognized initially at fair value less transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Financial lease liabilities are recorded under borrowings.

Borrowings payable within one year are classified as current liabilities.

Shareholders' equity
When share capital recognized as equity is repurchased (treasury shares), the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity (retained earnings).

Dividends are recognized as a liability upon being declared.

Defined contribution plans
The pension contribution of defined contribution plans is recognized as an expense in the income statement as it is incurred.

Defined benefit plans
The Group operates a defined benefit pension plan in Switzerland, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognized in profit or loss on the earlier of:

• the date of the plan amendment or curtailment, and
• the date that the Group recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability/(asset). The Group recognizes the following changes in the net defined benefit obligation under 'cost of defined benefit plans' in consolidated statement of profit or loss (by function):
• Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
• Net interest expense or income

Revenue
Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for deferred income, rebates and other similar allowances.

Revenue in respect of fees charged for services are recognized when they are performed. Revenue in respect of subscription to the aforementioned service (eg. fee for registration, collection, transport) is recognized upon enrollment.

Other revenue relate to income from other types of products and services than described above. Other revenue is recognized when the products and services are delivere

Government grants
Government grants are recognized at their fair value when there is a reasonable assurance that the grant will be received and the Company will comply with the conditions attached to them. Grants that compensate the Group for expenses incurred are deducted from those expenses incurred. Government grants related to an asset, are presented in the balance sheet by setting up the grant as deferred income, and are released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Cost of sales
Cost of sales comprises the directly attributable costs of goods and services sold and delivered. These costs include such items as the cost of collection of the cord blood and cord tissue, service fees to business partners, transportation and laboratory materials.

Marketing and sales expenses
Marketing and sales expenses include all costs that are directly attributable to marketing and sales activities. Examples of directly attributable costs are costs of employee benefits and costs of marketing materials and services used or consumed.

Research and development expenses
Research and development expenses, the latter as far as not capitalized, include all costs that are directly attributable to research and development activities for new products and services and to contributions to third parties' research projects. Directly attributable costs are for example costs of employee benefits, costs of materials and services used or consumed in generating the new product or service.
Expense on research or the research phase of an internal project is recognized as an expense when incurred.

General and administrative expenses
General and administrative expenses include costs which are neither directly attributable to cost of sales nor to marketing and sales and research and development expenses. General and administrative expenses include amongst other costs of employee benefits of staff working in the processing and storage facilities.

Share-based payments
The Group's share option scheme qualifies as equity settled share-based payment. The fair value of share options awarded is recognized as an expense with a corresponding increase in equity. The fair value is measured at the grant date and spread equally over the period during which the employees become unconditionally entitled to the shares. The fair value of the share options is measured using a binomial option valuation model, taking into account the terms and conditions upon which the share options were awarded. The amount recognized as an expense is adjusted to reflect the actual forfeitures due to participants' resignation before the vesting date.

Finance income and costs
Finance income and costs comprise interest receivable on deposits, interest receivable on funds invested calculated using the effective interest rate method, interest from payment plans, foreign exchange gains and losses, unwinding of the discount of deferred considerations, adjustments of deferred considerations, interest payable on borrowings, expenses related to the stock listing and bank costs.

Dividend income from investments is recognized when the Shareholder's right to receive payment has been established.

Earnings per share
Basic earnings per share is calculated by dividing the profit or loss attributable to the equity holders of the Company by the weighted average number of shares outstanding during the period, excluding the average temporarily repurchased shares.
Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible loan notes) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Segment reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses. All operating segments' operating results are reviewed regularly by the Board (Chief Operating Decision Maker (CODM)) and are based on internal management reporting to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete information is available.

Performance is mainly measured based on EBITDA (earnings before interest, tax, depreciation, amortization of identified intangible assets). Management believes this is the most relevant measure in evaluating the operating results of the segments.

Segment information is based on IFRS as applied in the financial statements.
Assets, liabilities and results up and including EBITDA are included in the different segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. Inter-segment revenues are eliminated on consolidation.

Capital expenditure consists of additions of property, plant and equipment. Results after EBITDA are not allocated to the different segments.

4 Critical accounting estimates and judgments

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. These judgments are discussed below.

Goodwill Impairment test
An impairment test of goodwill is carried out on a value in use basis at least once a year or when required because of changed circumstances. Any test of impairment inevitably involves factors that have to be estimated. The recoverable amounts are influenced by factors such as the prognosis for future economic conditions and expectations regarding market developments and operations. The estimates for these factors may change over time, which could lead to an impairment adjustment being recognized in profit or loss. The recoverable amounts also depend on the discount rate used, which is the estimate of weighted average costs of capital for the cash generating unit concerned. The key assumptions used and sensitivity analyses are provided in Note 20.

Identified intangible assets
Intangible assets such as brand name, customer relationship, contracts with insurers, distributions contracts, re-acquired rights and backlog are identified as intangible assets at the acquisition date. The fair value of these intangible assets is determined using estimates, the most significant being the expected cash flows attributable to the brand name, customer relationship, contracts, re-acquired rights and the discount rate used.
The expected future cash flows are based on the most recent long-term forecast from the perspective of the purchased entity. The discount rate used is the estimated weighted average cost of capital for the unit concerned. The estimates and assumptions might not sustain in the future. The key assumptions used and sensitivity analyses are provided in Note 20.

Allowances for bad and doubtful debts
The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectable. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such differences will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed.

Deferred revenue
The amount of deferred revenue per sample processed and stored is based on certain assumptions, like costs and the chance of future release of samples. Changes in these assumptions might have a significant impact on the amount of deferred revenue. The discount rate is consistently based on the 25 years AAA-rates euro area government bonds interest rate plus a liquidity premium of 1%.

Income taxes
A deferred tax asset shall be recognized for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against the unused tax losses and unused tax credits can be utilized. Management assesses the probability that taxable profit will be available against the unused tax losses or unused tax credits which can be utilized.

Corporate taxation is calculated on the basis of income before taxation, taking into account the relevant local tax rates and regulations. For each operating entity, the current income tax expense is calculated and differences between the accounting and tax base are determined resulting in deferred tax assets or liabilities.

The calculation of the tax position is based in part on the interpretations of applicable tax laws in the jurisdictions in which the Group operates. Although the Group believes the tax estimates are reasonable, there is no assurance that the final determination of the tax position will not be materially different from what is reflected in the statements of income and financial position. Should additional taxes be assessed these could have a material effect on the Group's results or financial position.

5 Application of new or revised International Financial Reporting Standards

New accounting policies effective for 2017
The IASB issued several standards or revisions to standards that become effective for 2017.

Amendments to IAS 7 Statement of Cash Flows
The amendments require a reconciliation of the amounts in the opening and closing statements of financial position for each item classified as financing in the statement of cash flows. The amendments to IAS 7 apply prospectively for annual periods beginning on or after 1 January 2017. This amendment did not have a significant impact.

Amendments to IAS 12 Income Taxes
Amendments to IAS 12, "Income Taxes," were made to address diversity in practice surrounding the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value, as well as provide additional guidance on how deductible temporary

differences should be measured in situations when tax law limits the offsetting of certain types of losses against specific sources of taxable profits. The amendments to IAS 12 apply prospectively for annual periods beginning on or after 1 January 2017. This amendment did not have a significant impact.

New accounting policies not yet effective for 2017
The IASB issued several standards or revisions to standards that are not yet effective for 2017, but will become effective in coming years.
Amendments to IFRS 2 Share-based Payment
These amendments clarify the classification and measurement of share-based payment transactions. The amendments to IFRS 2 apply prospectively for annual periods beginning on or after 1 January 2018. The Company does not expect these amendments to have a significant impact.

IFRS 9 Financial Instruments
IFRS 9 "Financial Instruments" brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 "Financial Instruments: Recognition and Measurement". The Company has performed an initial high-level impact assessment.

IFRS 9 mainly amends the classification and measurement of financial assets. Given the nature of the Company's financial assets and liabilities and their characteristics, based on the initial high-level impact assessment, the Company's preliminary view is that it is not expected to have a significant effect on the classification and measurement of financial assets and liabilities.

The impairment model is based on the concept of providing for expected losses at inception of a contract, except in the case of purchased or originated credit-impaired financial assets, where expected credit losses are incorporated into the effective interest rate. IFRS 9 requires the Company to record expected credit losses on all of its loans and trade receivables. While the Company has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model including the application of the simplified method, it may result in an earlier recognition of credit losses.

At the moment, the Company is not applying hedge accounting nor expecting to apply hedge accounting in the near future. The new hedge accounting requirements are therefore not expected to have an effect.

Based on assessment performed, the Company's view is that it does not anticipate that the application of this standard will have a significant effect on the financial assets and financial liabilities. IFRS 9, as amended in July 2014, is effective for annual periods beginning on or after 1 January 2018.

IFRS 15 Revenue from Contracts with Customers
IFRS 15, "Revenue from Contracts with Customers," establishes a single comprehensive model for entities to use in accounting for revenue from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue," IAS 11 "Construction Contracts," and the related Interpretations when it becomes effective for annual periods beginning on or after 1 January 2018. Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e., when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in IFRS to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.
Also for IFRS 15, the Company has performed an impact assessment. The Company mainly provides services and currently identifies the contract in 2 performance obligations: service and storage. Revenues are recognized when the services are provided, and storage fees, when received upfront, are deferred accordingly. Based on the impact assessment, the Company's view is that the impact of the application of IFRS 15 is expected to be limited with regard to the recognition of revenue. However, reassessing the amount regarding deferred revenue at transition date could result in a release of the current recognised amount. This release, if any, will be recorded as an increase in retained earnings.

IFRS 16 Leases
IFRS 16, "Leases," eliminates the current dual accounting model for lessees, which distinguish between on balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The Company anticipates that the application of IFRS 16 will have an effect on its reported assets and liabilities, and operating and financing expenses. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until a detailed review has been completed. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

Annual improvements to IFRSs 2011-2013
Annual improvements to IFRSs 2011-2013 Cycle made a number of amendments to various IFRSs, which did not have a significant effect on the consolidated financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration
IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. IFRIC is effective for annual periods beginning on or after 1 January 2018. The Company considered that this interpretation to have a significant impact.

6 Changes in structure Esperite
In 2017 significant changes have been taken place in the structure of Esperite:

- The liquidation of Genoma SA. The results of Genoma have been taken into consolidation until 4th of May, the day on which the Group lost control.
- The inclusion in the consolidation of Genoma Swiss Biotechnology Sarl and Genoma Life Science Sarl to which the activities of Genoma SA have been transferred as from 9 January 2017 and consolidated accordingly.

Other
Some dormant entities were liquidated in 2017 and some other legal entities were established. See note 22 for the list of subsidiaries.

7 Statement of cash flows
The statement of cash flows is presented by using the indirect method in which the result for the year is adjusted for non-cash items.

8 Operating segments
The Group add the segment Holding to the four operating segments identified in 2016 being the extraction and storage of adult human stem cells (ie Stem Cell), research and development (ie The Cell Factory), predictive medicine (ie Genoma) and other types of products and services (ie Other). The latter mainly consists of Output Pharma Services GmbH.

Operating segment Holding has been added because Esperite is managing their segments as a portfolio of investments. In this segment the stewardship cost of the Group and other general overhead cost are allocated.

The segments sales channels are integrated to create advantages in revenue growth and lower levels of sales costs. Information regarding the results of each reportable segment is included below. Performance is measured based on EBITDA (earnings before depreciation, amortization on identified intangible assets, interest and tax), as included in the internal management reports that are reviewed by the Board. Corporate overhead costs were allocated to the operating expenses regarding the segments 'Stem Cell', 'Genoma' and 'Other'. No corporate overhead costs have been allocated to the segment 'The Cell Factory', because this segment did not make substantial use of the corporate services.

All assets and liabilities are allocated to the operating segments. Results up and including EBITDA are also allocated to the operating segments. Results after EBITDA are not allocated to the operating segments.
The aforementioned allocation to the operating segments has also applied to the comparative figures.

Information about reportable segments

	HOLDING 2017	Stem Cell 2017	The Cell Factory 2017	Genoma 2017	Other 2017	Eliminations 2017	Total 2017
Revenue							
Segment revenue	**11**	**11.755**	**1**	**3.801**	**985**	**-**	**16.553**
Inter-segment	**-**	**1.053**	**-**	**770**	**175**	**(1.998)**	**-**
	11	**12.808**	**1**	**4.571**	**1.160**	**(1.998)**	**16.553**
Other segment information							
Cost of sales	**-**	**(3.870)**	**(1)**	**(2.314)**	**(428)**	**957**	**(5.656)**
Gross profit	**11**	**8.938**	**-**	**2.257**	**732**	**(1.041)**	**10.897**
Operating expenses	**(1.690)**	**(7.635)**	**(163)**	**(6.149)**	**(814)**	**1.052**	**(15.399)**
EBITDA	**(1.679)**	**1.303**	**(163)**	**(3.892)**	**(82)**	**11**	**(4.502)**
Finance (expenses) / income							**(710)**
Depreciation, amortization and impairment							**(8.334)**
Result before taxation							**(12.865)**
Income tax expense							**18**
Result for the year (Profit for the period)							**(12.883)**
Segment assets	**9.852**	**21.011**	**2.402**	**245**	**375**		**33.884**
Segment liabilities	**7.286**	**20.406**	**4.555**	**375**	**290**		**32.911**
Capital expenditure							**281**

	Stem Cell 2016	The Cell Factory 2016	Genoma 2016	Other 2016	Eliminations 2016	Total 2016
Revenue						
Segment revenue	17.838	-	6.866	1.550	-	26.254
Inter-segment	4.638	-	144	173	(4.955)	-
	22.467	-	7.010	1.723	(4.955)	26.254
Other segment information						
Cost of sales	(7.218)	(3)	(5.572)	(764)	1.975	(11.582)
Gross profit	15.258	(3)	1.438	959	(2.980)	14.672
Operating expenses	(15.972)	(128)	(5.700)	(823)	2.980	(19.643)
EBITDA	(714)	(131)	(4.262)	136	-	(4.971)
Finance (expenses) / income	-	-	-	-	-	(566)
Depreciation, amortization and impairment	-	-	-	-	-	(3.931)
Result before taxation	-	-	-	-	-	(9.738)
Income tax expense	-	-	-	-	-	(1.200)
Result for the year	-	-	-	-	-	(8.538)
Segment assets	36795	0	5223	462	0	42.480
Segment liabilities	31.093	-	4.443	273	-	35.809
Capital expenditure	520	-	48	17	-	585

Total revenue decreased due to lower revenue regarding Stem Cell and Genoma as a result of declining volumes.

Revenue from third parties attributed to the Group's country of domicile, The Netherlands, amounted to € 0.2 million (2016: € 0.2 million). Assets attributed to the Group's country of domicile, The Netherlands, amounted to €11.2 million (2016: € 16.6 million).

9 Revenue

	2017	2016
Rendering of services	**16'553**	26'254
Total revenue	**16'553**	26'254

10 Cost of sales

	2017	2016
Collection and transport costs	**2.495**	3.918
Service fees	**948**	2.845
Laboratory costs	**2.213**	4.819
Total cost of sales	**5.656**	11.582

Collection costs consisted of the costs of the collection kits, the transportation costs from the hospitals to the Group's processing and storage facilities and the reimbursement of the collection of the umbilical cord blood and cord tissue in the hospitals.

Service fees comprised the reimbursements of (exclusive) distribution agreements and independent sales agents.

Laboratory costs contained the costs of the materials used in processing and storage, the collected samples, and lab examination costs.

Government grants
During the year the Company did not receive any government grants (2016: € 0.0 million).

11 Marketing and sales expenses

	2017	2016
Employee benefit expenses	**4.108**	6.457
Other marketing and sales expenses	**1.202**	2.451
Total marketing and sales expenses	**5.310**	8.908

12 Research and development expenses

	2017	2016
Employee benefit expenses	**-**	1
Other research and development costs	**-**	-
Total research and development expenses	**-**	1

Development expenses amounting to € 235 thousand (2016: € 449 thousand) have been capitalized as internally generated intangible assets and other intangibles.

13 General and administrative expenses

	2017	2016
Employee benefit expenses	**4.961**	5.059
Other general and administrative expenses	**5.128**	5.675
Total general and administrative expenses	**10.089**	10.734

14 Employee benefit expenses

	2017	2016
Salaries and wages	**7.692**	9.424
Social security costs	**1.125**	1.392
Cost of defined contribution plans	**80**	84
Cost of defined benefit plans	**22**	157
Other personnel expenses	**386**	460
Total employee benefit expenses	**9.305**	11.517

Employees
The number of full time equivalents at year-end was 133 (2016: 187). The corresponding average was 167 (2016: 199). The number of average full time equivalents working outside the Netherlands amounts 161 (2016: 178).

15 Depreciation, amortization and impairment loss

	2017	2016
Depreciation of property, plant and equipment	**1.542**	1.502
Amortization of intangible assets	**1.241**	1.442
Sub total depreciation and amortization	**2.784**	**2.944**
Impairment loss	**2.478**	**987**
Total depreciation, amortization and impairment loss	**5.262**	3.931

Depreciation and amortization expenses all relate to general and administrative expenses. In 2017 the following impairment losses are recognized:

- Impairment of goodwill € 3,072
- Genoma SA impairment of intangible assets € 1,029
- Impairment of the building in Niel € 1,229
- Impairment of lab equipment € 220

16 Finance income

	2017	2016
Interest payment plans	**133**	301
Interest income bank and deposits	**-**	3
Dividend from associates	**147**	-
Gain on deconsolidation Genoma	**3.063**	-
Currency translation differences	**(12)**	19
Total finance income	**3.331**	323

Interest payment plans relate to interest on installment plans for private customers.
As per 4 May 2017 Genoma SA has been deconsolidated. The deconsolidation resulted in a non-cash gain amounting to € 3,063 thousand.

17 Finance costs

	2017	2016
Bank charges and other finance costs	**267**	409
Interest expense sale and leaseback	**183**	172
Interest convertible loan note	**358**	300
Currency translation differences	**77**	8
Allocated interest L1 Finance arrangement	**3.156**	-
Total finance costs	**4.041**	889

The interest expense related to the sale and leaseback agreement regarding the facility in Niel (Belgium) dated 1 September 2009 amounting to € 4.3 million are the cost regarding the interest percentage of 5.5% on this sales and lease back agreement which is fixed for the period of 15 years. In this respect reference is made to note 42 regarding events after reporting period. Early 2018 this liability has been transferred to a related party to avoid working consumption.

The interest expense related to several convertible notes. Reference is made to note 31 regarding additional disclosures on the convertible notes.

18 Income tax expense

	2017	2016
Income tax expense/(income) recognized in profit or loss	**18**	(1.200)
Tax expense comprises:		
Current tax expense/(income)	**-**	-
Deferred tax expense/(income)	**(12)**	(1.197)
Prior year's tax difference	**30**	(3)
Total tax expense/(income)	**18**	(1.200)
Reconciliation of the effective tax rate:		
Result before taxation	**(12.865)**	(9.738)
Income tax using the Company's domestic tax rate (25%)	**(3.216)**	(2.434)
Tax effect of:		
Effect of tax rates in other countries	**1.021**	200
De-recognition of previously recognized tax losses	**1.550**	-
Profits offset with unused tax losses for which no deferred tax asset had been recognized	**(54)**	(35)
Unused tax losses not recognized as deferred tax assets	**2.090**	978
Non-deductible expenses	**(1.373)**	91
Income tax expense/(income)	**18**	(1.200)

Estimates and judgment made by management are required to determine the Group's tax position, amongst other corporate income tax. The calculation of the tax position is partly based on the interpretations of applicable tax laws in the jurisdictions in which the Group operates. Although the Group believes the tax estimates are reasonable, there is no assurance that the final determination of the tax position will not be materially different from what is reflected in the statement of profit or loss and statement of financial position. Should additional taxes be assessed these could have a material effect on the Group's results or financial position.

Due to the bankruptcy of Genoma SA (Swiss legal entity) an amount of € 1.5 million recognized deferred tax assets have been evaporated.

Effective tax rate
The weighted average tax rate on result before taxation was 0.0% (2016: 12.3%).

19 Earnings per share

	2017	2016
Basic earnings per share (in euro cents)	**(92.9)**	(81,2)
Diluted earnings per share (in euro cents)	**(92.9)**	(81,2)

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible loan notes) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. Because the Company made no profit over the year under review and the comparative period, the impact would be non-dilutive, hence the diluted earnings per share is equal to the basic earnings per share.

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

	2017	2016
Issued ordinary shares at 1 January	**10.383.382**	10.214.308
Weighted issue of new shares	**3.311.988**	143.210
Weighted average number of shares	**13.695.370**	10.357.518

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

	2017	2016
Weighted average number of shares	**13.695.370**	10.357.518
Share options	**-**	-
Convertible loans	**-**	-
Diluted weighted average number of shares	**13.695.370**	10.357.518
Result attributable to ordinary equity holders of the Company (in thousands of euros)	**(12.722)**	(8.407)

20 Intangible assets

	Goodwill	Identified intangible assets	Internally generated intangible assets	Other assets	Total
At 1 January 2017					
Cost	**28.800**	**12.884**	**748**	**3.410**	**45.843**
Amortization	**(14.116)**	**(9.836)**	**(290)**	**(1.899)**	**(26.140)**
Net book value at 1 January 2017	**14.684**	**3.048**	**459**	**1.512**	**19.703**
Movements					
Translation differences	**-**	**-**	**-**	-	**-**
Acquisition	**-**	**-**	**-**	**-**	**-**
Investments	**-**	**-**	**-**	**510**	**510**
Impairment	**(3.072)**	**-**	**-**	**(1.029)**	**(4.101)**
Amortization	**_**	**(339)**	**(394)**	**(509)**	**(1.241)**
Total movements 2017	**(3.072)**	**(339)**	**(394)**	**(1.028)**	**(4.832)**
At 31 December 2017					
Cost	**28.800**	**12.884**	**748**	**3.920**	**46.353**
Amortization/Impairment	**(17.188)**	**(10.174)**	**(683)**	**(3.436)**	**(31.482)**
Net book value at 31 December 2017	**11.612**	**2.710**	**65**	**484**	**14.871**

	Goodwill	Identified intangible assets	Internally generated intangible assets	Other assets	Total
At 1 January 2016					
Cost	28.800	12.884	248	2.794	44.726
Amortization	(14.116)	(8.282)	(57)	(1.256)	(23.711)
Net book value at 1 January 2016	14.684	4.602	191	1.538	21.015
Movements					
Translation differences	-	-	-	-	-
Acquisition	-	-	-	-	-
Investments	-	-	500	616	1.117
Impairment	-	(987)	-	-	(987)
Amortization	-	(567)	(233)	(643)	(1.442)
Total movements 2016	-	(1.554)	268	(26)	(1.312)
At 31 December 2016					
Cost	28.800	12.884	748	3.410	45.843
Amortization/Impairment	(14.116)	(9.836)	(290)	(1.899)	(26.140)
Net book value at 31 December 2016	14.684	3.048	459	1.512	19.703

Goodwill and identified intangible assets impairment testing

The Company identified five Cash Generating Units (GCU) being the operating and reportable segments as disclosed in note 8. The goodwill is allocated to the CGU stem cell storage only (2017: € 11.6 million; 2016: € 14.7 million). The Group reviews at each reporting date whether there is an indicator of impairment of any of the cash-generating units that contain goodwill and identified intangible assets. For goodwill and identified intangible assets that have an indefinite useful life, annual impairment testing is performed by comparing the carrying amount of the cash-generating unit to its recoverable amount. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs of disposal and value in use, which is the present value of future cash flows. The impairment test for the CGU stem cell storage was based on the value in use, which is the present value of future cash flows. The impairment test also included a sensitivity analysis of changes in assumptions.

The Group considers the relationship between its market capitalisation and its book value of equity, among other factors, when reviewing for indicators of impairment. As at 31 December 2017, the market capitalisation of the Group exceeded the book value of its equity, indicating no potential impairment of goodwill and impairment of the assets of the CGU's at that date.

For the purpose of impairment testing, goodwill is allocated to the GCU which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. As per 31 December 2017 for the CGU 'stem cell storage', the carrying amount exceeded the recoverable amount, hence an impairment of € 3.1 million (2016: € 0) has been recorded in the period under review. The recoverable amount of the CGU Stem Cell after recording the impairment loss equals the carrying amount of € 15.5 million.

Key assumptions used in discounted cash flow projections

The key assumptions used in the projections are based on internal available information and equal to last year and are as follows:

• Revenue development: based on actual experience and market analysis.
• EBITDA: based on actual experience and management's mid to long-term projections.
• Discount rate: based on the market rates of return demanded by investors in the type of activities of the Company.

The projections of cash flows are based on 2018 budget. The cash flows for 2018 are based on the current situation and are extrapolated taking into account the market expectations based on the obtained new financing which is to support its commercial activity and development of innovative technologies. With respect to aforementioned we note the following:

- We have taken into account the market expectations based on external market data. However this external market data is at a disaggregated worldwide level and not limited to the countries in which Esperite is active and therefore is only to a certain extent representative. As such management considers the external market data less adequate for the purpose of impairment testing compared to market information applicable for the countries in which Esperite is active.
- In order to stop the declining trend in revenue and stabilize its overall performance the Company used the new financing arrangement to support its commercial activity and development of innovative technologies for Genoma and regenerative medicine for Stem Cell and Cell Factory. As a result management expects a recovery of the profitability in Stem Cell and to substantially improve the results as from 2018 onwards. Management is confident to meet those expectations. This outcome however is uncertain as the (timely) availability of liquidity is, as disclosed in note 2, dependent on the issuing of consecutive tranches under the new financing arrangement and a major part of the anticipated revenues are not yet confirmed.

As from 2019 we expect a 10% (2016: 20%) growth regarding revenue for the CGU 'stem cell storage' for the next three years. For the next years including perpetuate value the growth is estimated at 7%. The 10% growth is based on the Company's analysis of the market. Last year's 20% growth was based on the aforementioned sector information regarding the private stem cell market. This year the market expectations decreased to 10% - 15%. Consequently the Company decreased their expectations accordingly.
As the line of business, Genoma, utilizes to a large extent the assets (e.g. distribution channels) of the stem cell business, the stem cell business charges an internal fee to segment Genoma, which is incorporated in the value in use calculation of the stem cell business. Management considers Genoma no longer in a start-up phase. As a result, the inter segment revenue regarding commission received from Genoma contributes in addition since the Genoma's evolution of the sales is expected to follow the same logic as applies to stem cell storage. Due to the expected increase of the Genoma sales the inter segment revenue is expected to increase by 10% as well. EBITDA expressed in a percentage of net sales is expected to increase in the same manner as the Stem Cell sales. The reason for the increased EBITDA is mainly due to the expected net revenue growth. The cost regarding marketing and sales are expected to growth in line with the expected growth in revenue. The general and administrative cost is expected to increase by expected long term CPI.

The projected pre-tax cash flows are discounted to their net present value using a pre-tax discount rate of 12.7% (2016: 15.8%) for the CGU 'stem cell storage'. The pre-tax discount rate is based on a market comparison of a company in the comparable market and geographic areas.

Sensitivity to changes in assumptions
Management has identified key assumptions for which there could be a reasonable possible change that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount that these key assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal recoverable amount
Stem cell storage	2017 no change because the carrying amount equals the recoverable amount
Pre-tax discount rate	N/A (2016: 0.2%)
Revenue	N/A (2016: -0.2%)
EBITDA	N/A (2016:- 1.0%)

	Decrease recoverable amount
Stem cell storage	2017
Scenario if pre-tax discount rate is +1%	€1.7 million (2016: €2.3 million)
Scenario when Revenue is -5%	€7.9 million (2016: €9.1 million)
Scenario when EBITDA is -10%	€2.8 million (2016: €3.6 million)

Identified intangible assets

The items such as brand name (an amount of € 0.1m is indefinite), customer relationship, re-acquired rights 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, insurers and diagnostic centers.

The net book value of the identified intangible assets consist mainly of the value of brand names € 1.9 million (2016: € 2.1 million), contracts € 0.1 million (2016: € 0.2 million) and eKaryotype € 0.5 million (2016: € 0.5 million).

Reviewing the remaining useful lives of the identified intangible assets resulted in an impairment loss amounting to € 0.0 million (2016: € 1.0 million). Of the 2016 amount € 0.9 million related to a brand which is no longer the main brand used in that country. The remaining amount related to a brand name acquired during the acquisition of Cryo-Save South Africa for which it was decided to impair this in full given the financial results of this equity accounted investee. The value in use of the impaired brands both belonged to the CGU Stem Cell is estimated to be around zero. Consequently, the carrying amounts of both impaired brands were zero as per 31 December 2016.

Included in the other intangible assets is a trademark with an indefinite life. This intangible asset cannot be considered as a stand-alone cash generating unit. This intangible asset belongs to the CGU Stem Cell for which an impairment test is performed (see aforementioned disclosure

21 Property, plant and equipment

	Land and buildings	Lab and office equipment	Other tangible assets	Total
At 1 January 2017				
Cost	6.750	8.896	821	16.467
Depreciation	(1.572)	(4.646)	(695)	(6.913)
Net book value at 1 January 2017	5.178	4.250	126	9.554
Movements				
Investments	-	200	81	281
Depreciation	(203)	(1.249)	(90)	(1.542)
Impairment	(1.229)	(220)	-	(1.449)
Disposals at cost	-	(749)	(30)	(779)
Depreciation on disposals	-	737	21	758
Other movements	-	(81)	-	(81)
Translation differences	-	-	-	-
Total movements 2017	(1.432)	(1.362)	(18)	(2.812)
At 31 December 2017				
Cost	6.750	8.347	872	15.969
Depreciation/Impairment	(3.004)	(5.459)	(764)	(9.227)
Net book value at 31 December 2017	3.746	2.888	108	6.742

	Land and buildings	Lab and office equipment	Other tangible assets	Total
At 1 January 2016				
Cost	6’744	8’499	864	16’107
Depreciation	(1’369)	(3’581)	(605)	(5’555)
Net book value at 1 January 2016	5’375	4’917	259	10’552
Movements				
Investments	-	544	41	585
Depreciation	(203)	(1’159)	(140)	(1’502)
Impairment	-	-	-	-
Disposals at cost	-	(138)	(84)	(222)
Depreciation on disposals	-	94	50	144
Translation differences	6	(9)	-	(3)
Total movements 2016	(197)	(668)	(133)	(998)
At 31 December 2016				
Cost	6’750	8’896	821	16’467
Depreciation/Impairment	(1’572)	(4’646)	(695)	(6’913)
Net book value at 31 December 2016	5’178	4’250	126	9’554

No property, plant and equipment have been provided as collateral. Regarding the processing and storage facility in Niel, Belgium an impairment loss has been recognized amounting to € 1.2 million. After regular depreciation and the aforementioned impairment loss the book value amounts to € 3.3 million (2016: € 4.8 million). The storage facility in Niel, Belgium is under financial lease. See note 31 for additional disclosure. Furthermore lab equipment has been impaired for an amount of € 0.2 million.

22 Investments in subsidiaries

Details of main subsidiaries at year end are as follows:

Name of subsidiary directly held by ESPERITE N.V.	Place of incorporation	Shareholding 2017	2016
Cryo-Save AG	Switzerland	**100%**	100%
Genoma SA	Switzerland	**0%**	100%
Salveo Life Sciences SA in liquidation	Switzerland	**100%**	100%
Cryo-Save Italia Srl.	Italy	**100%**	100%
Crio-Cord SL.	Spain	**100%**	100%
Cryo-Save Serbia d.o.o. Beograd	Serbia	**100%**	100%
Cryo-Save Hungary Kft.	Hungary	**100%**	100%
Tissue Bank Cryo Center Bulgaria AD	Bulgaria	**100%**	100%
Cryo-Save GmbH	Germany	**100%**	100%
Cryo-Save Labs NV	Belgium	**100%**	100%
Cryo-Save Stammzelltechnologie GmbH	Austria	**100%**	100%
Fagite S.A.	Greece	**100%**	100%
Cryo-Save France S.A.S.	France	**100%**	100%
VSB Services Ltd.	Hungary	**100%**	100%
InKaryo Corporation	USA	**100%**	100%
Cryo-Save USA, Inc.	USA	**100%**	100%
Stichting Cryo-Save*	The Netherlands	**100%**	100%
Stichting Cryo-Save Research*	The Netherlands	**100%**	100%
Output Pharma Services GmbH	Germany	**100%**	100%
Cryo-Save Portugal Lda.	Portugal	**60%**	60%
Genoma Holland BV	The Netherlands	**100%**	0%
The Cell Factory BVBA	Belgium	**100%**	0%
Genoma Spain S.L	Spain	**100%**	0%
Genoma Hellas Ltd.	Greece	**100%**	0%
Genoma Italia Srl.	Italy	**100%**	0%
Cryo Save Laboratories and Biobank SA	Switzerland	**100%**	0%
Esperite Swiss SA	Switzerland	**100%**	0%
Genoma Swiss Biotechnology Sarl	Switerland	**100%**	0%
Genoma Life Science Sarl	Switzerland	**100%**	0%

* ESPERITE N.V. controls this entity.

23 Investments in equity accounted investees

Details of the Company's equity accounted investees at year end are as follows:

Name of equity accounted investee	Place of incorporation	Shareholding 2017	2016
Cryo-Save Ltd.*	United Arab Emirates	**35%**	35%
Cryo-Save South Africa (Pty) Ltd. **	South Africa	**50%**	50%
Salveo Swiss Technologies Ltd.**	South Africa	**50%**	50%

* 99% owner of Cryo-Save Arabia FZ-L.L.C.

** These companies are joint-ventures.

The Company has significant influence, however no control in Cryo-Save Ltd. Next to the shareholding the significant influence is demonstrated by the availability of board memberships for the Company.

The Company has joint control in Salveo Swiss Technologies Ltd. and Cryo-Save South Africa (Pty) Ltd. The reporting period of the South African joint ventures ends per March. The figures taken into consideration are over the same period and balance sheet date as the Group's financial dates.

Investments in equity-accounted investees

	2017	2016
Cryo-Save Ltd. (UAE)	**165**	-
Cryo-Save South Africa (Pty) Ltd. (SA)	**-**	-
Salveo Swiss Technologies Ltd. (SA)	**-**	-
Total investments in equity-accounted investees	**165**	-

Provisions for negative equity-accounted investees

	2017	2016
Cryo-Save South Africa (Pty) Ltd. (SA)	**-**	181
Offset with receivables from Cryo-Save South Africa (Pty) Ltd. (SA)	**-**	(181)
Salveo Swiss Technologies Ltd. (SA)	**-**	335
Total provision for negative equity-accounted investees	**-**	335

The carrying values of equity-accounted investees with a negative net asset value are deducted from any receivable from the related equity-accounted investee (if any). Provisions are formed for (remainder of) investments with negative net asset value.

Summarized financial information Cryo-Save Ltd. (100%, in thousands of euro):

	2017	2016
Total assets	**2.660**	1.945
Total liabilities	**2.188**	2.300
Revenue	**2.865**	4.415
Profit or (loss)	**829**	2.592
Share profit or (loss)	**165**	(79)
Share (35%) of equity	**165**	-

The Group's liability towards this equity accounted investee is limited to the invested amount. In 2016 the invested amount of € 79 thousand has been written-off as a loss in the profit or loss of 2016. The 2017 the recognized value represents the participation percentage of equity in the investee.

Early 2018 negotiations have been held with the other shareholder of the South African activities. It was agreed that the control over the activities will be transferred to Esperite as per 1 April 2018. The transfer of control is the result of the transfer of the operational management over the South African activities. As a result the South African investees have been recognized at zero and the provision of last year made in this respect has been released.

Summarized financial information Cryo-Save South Africa (100%, in thousands of euro):

	2017	2016
Total assets	**1.098**	1.680
Total liabilities	**1.776**	2.068
Revenue	**1.205**	1.397
Profit or (loss)	**(370)**	(243)
Share profit or (loss)	**-**	(122)
Share (50%) of equity	**-**	(181)

Summarized financial information Salveo Swiss Technologies Ltd. (100%, in thousands of euro):

	2017	2016
Total assets	**620**	408
Total liabilities	**1.144**	1.088
Revenue	**313**	346
Profit or (loss)	**(32)**	(140)
Share profit or (loss)	**-**	(70)
Share (50%) of equity	**-**	(335)

24 Deferred tax assets and liabilities

In assessing the valuation of the deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which they become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of the deferred tax assets considered realizable could change in the near term if future estimates of projected taxable income during the carry-forward period are revised.

The Group has total tax loss carried forward amounting to € 27.6 million as per 31 December 2017 which expires as follows:

In € millions	2018	2019	2020	2021	2022	Later	Unlimited	Total
Recognized	-	-	-	-	-	15,9	0,3	16,2
Unrecognized	-	0,6	1,5	1,7	2,0	2,5	3,0	11,4
Total	-	0,6	1,5	1.7	2,0	18,4	3,3	27,6

Unrecognized deferred tax assets and liabilities
Given that the compensation of tax losses against future tax profits is uncertain and also that such loss relief will be possible only in the long term, potential tax losses for a non-discounted amount of € 11.4 million (2016: € 14.3 million) have not been recognized as deferred tax assets. When future tax profits are expected in the short term a deferred tax asset has been formed.

Recognized deferred tax assets and liabilities
Deferred tax assets and liabilities relate to the following balance sheet items:

	Assets		Liabilities	
	2017	2016	**2017**	2016
Identified intangible assets	**-**	-	**552**	661
Net operating losses	**1.943**	**2.264**	**-**	-
Land and buildings	**-**	-	**15**	239
Balance at 31 December	**1.943**	2.264	**568**	900

Deferred tax is calculated on temporary differences using the tax rate of the tax jurisdiction to which the deferred tax relate. Deferred tax assets in respect of tax losses or tax credits are recognized in so far they are deemed recoverable on the basis that relief will be possible against future taxable profits.

Deferred tax assets of € 1.9 million (2016: € 2.3 million) relate to tax losses to be compensated with foreseeable future profits. Although the Group is loss making, it is expected based on the budgets that Genoma sales will increase significantly and Stem Cell sales will also increase, which leads to the situation that the net operating losses carry forward can be used.

Approximately € 0.1 million of the deferred tax liabilities at 31 December 2017 will be utilized within one year.

Movement in deferred tax assets and liabilities

The movement in deferred tax assets and liabilities during 2017 was as follows :

	Balance at 1 January 2017	Recognized in income	Balance at 31 December 2017
Identified intangible assets	(661)	109	(552)
Net operating losses	2.264	(321)	1.943
Land and buildings	(239)	224	(15)
Others	-	-	-
Tax assets/(liabilities)	**1.364**	**12**	**1.376**

The movement in deferred tax assets and liabilities during 2016 was as follows:

	Balance at 1 January 2016	Recognized in income	Balance at 31 December 2016
Identified intangible assets	(1'022)	361	(661)
Net operating losses	1'402	862	2'264
Land and buildings	(213)	(26)	(239)
Others	-	-	-
Tax assets/(liabilities)	167	1'197	1'364

25 Non-current trade and other receivables

	2017	2016
Trade receivables	**45**	1.336
Other receivables	**1.918**	605
Total non-current receivables	**1.963**	1.941

Non-current trade receivables comprise receivables with a contractual payment term longer than one year. These amounts are invoiced to the customers in the year in which the service has been provided, including interest. The trade receivables are recognized at amortized cost. The amount decreased due to decrease in revenue and the focus of the Company to reduce selling long term payment contracts.
No security has been provided for the outstanding amount.
There is no concentration of credit risks relating to the non-current trade receivables.

The other receivables include bank guarantees amounting to € 476 thousand (2016: € 524 thousand). Last year the bank guarantees were presented as cash and cash equivalents. For comparison purposes the 2016 amount has been presented in line with this year's presentation.
Other receivables also include the non-current part of the capitalized interest relating to the new financing arrangement. The amount recognized as non-current amounts to € 1,376 thousand (2016: € 0 thousand).

26 Inventories

	2017	2016
Collection kits	**175**	211
Processing materials	**81**	139
Total inventories	**256**	350

The cost of inventories included in the statement of profit or loss under cost of sales amounted to € 1.4 million (2016: € 3.4 million).

The inventories are not pledged as security for liabilities.

27 Current trade and other receivables

	2017	2016
Trade receivables	**4.701**	6.528
Prepayments	**1.310**	212
Receivables from related parties	**148**	118
Receivables from equity accounted investees	**118**	225
VAT receivable	**577**	884
Other tax receivable	**64**	65
Other receivables	**212**	157
Total current trade and other receivables	**7.130**	8.189

Trade receivables decreased mainly due to decrease in revenue. There is no concentration of credit risks relating to the current trade receivables.

Prepayments include the capitalized interest relating to the financing arrangement with European Select Growth Opportunities Fund.

The fair value of the receivables is equal to their carrying value, because of their short-term nature.

Trade receivables include installment plans, which are due within one year.

28 Current tax assets

	2017	2016
Income tax receivable	**120**	93
Total current tax assets	**120**	93

29 Cash and cash equivalents

	2017	2016
Cash and bank balances	**694**	386
Total cash and cash equivalents	**694**	386

In contrary to last year cash and cash equivalent € 0.5 million (2016: € 0.5 million) pledged for bank guarantees has been presented as non-current.

As per 31 December 2017, the Company has less than € 0.35 million in Swiss francs on a bank account (2016: € 0.1 million) and less than € 0.05 million in Hungarian forints on a bank account (2016: € 0.1 million).

30 Equity

Share capital and share premium
Authorized shares
The Company's authorized share capital comprises 48,000,000 shares with a par value of € 4,800,000 (ordinary shares of € 0.10 each) as per 31 December (2016: 48,000,000 shares).

Issued shares
The total issued ordinary share capital consists per 31 December 2017 of 19,220,014 shares with a par value of € 0.10 (2016: 10,383,388 shares), which means an increase of 8,836,626.

During 2017 8,746,626 shares have been issued in connection with the financing provided by European Select Growth Oppotunities Fund. The remaining 90,000 shares have been issued in connection with a settlement with a prior employee of the Company.

At the Annual General Meeting of Shareholders (AGM) held on 4 July 2017, it was resolved to delegation to the Board of Directors of the powers to (a) issue, and grant rights to subscribe for, shares in the capital of the Company up to a maximum aggregate issuance price of € 7,000,000; and (b) restrict or exclude the pre-emptive rights in connection with such issue of, or grant of rights to subscribe for shares in the capital of the Company, each for a period of 18 months from the date of the AGM.

Convertible Loan bond

Convertible loans are separated into liability and equity components based on the terms of the contract. On issuance of the convertible loan, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in equity. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.
See note 31 for additional disclosure on the convertible loan bonds.

Translation reserve

The translation reserve contains exchange rate differences arising from the translation of the net investment in foreign operations. 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 2008 acquisition of 50% of the remaining shares of Fagite SA (former: 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 the Company 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.

Dividend

Following the shareholder resolution on 4 July 2017, the Company decided not to distribute dividend (2016: 0 euro cent per share).

31 Borrowings

	2017	2016
Convertible loan notes	3.583	3.011
Financial lease obligations	2.079	2.328
Borrowings – non-current liabilities	5.661	5.339
Convertible loan notes	210	-
Financial lease obligations	249	235
Borrowings – current liabilities	459	235
Total borrowings	**6.120**	5.574

The following table describes, as per 31 December 2017, the Group's contractual obligations for the following five years and thereafter.

	Contractual obligations	Future interest payments	Present value of borrowings
Less than one year	786	367	459
Between one and five years	5.408	677	4.730
More than five years	985	54	931
Total	**7.179**	**1.098**	**6.120**

The following table describes, as per 31 December 2016, the Group's contractual obligations for the following five years and thereafter.

	Contractual obligations	Future interest payments	Present value of borrowings
Less than one year	779	544	235
Between one and five years	4.770	674	4.096
More than five years	1.355	112	1.243
Total	6.904	1.330	5.574

Convertible loan notes

In December 2016 the Group issued a € 0.1 million convertible loan note through a private placement. This private placement was in relation to a 7% commission agreed with a third party for arranging the convertible loan by Educe Capital (Malta) Limited in 2015. In 2015 the structure of the commission had not been agreed yet, hence this was effectuated in the financial year 2016. The loan note pays an annual coupon of 7%. The unsecured convertible loan notes will bear interest at a rate of 7% per year, payable annually. The convertible loan note as a compound financial instrument was upon initial recognition split into a liability and an equity component respectively. The equity component was considered not to be material and was consequently not separately booked. The loan note will be convertible from December 31, 2017 until maturity at a conversion price of € 0.55. The notes will mature on December 31, 2019, unless earlier converted or repurchased. The loan note is not listed. The loan note is considered as long term and therefore included in the non-current borrowings.

In December 2015 the Group issued a € 0.9 million convertible loan note to Mr. Amar. The issuance converts a payment obligation that Esperite has towards Mr. Amar relating to remuneration and pre-paid investments and expenses into the note. The unsecured convertible loan note will bear interest at a rate of 7% per year, payable annually in arrears on 31 December. The convertible loan note as a compound financial instrument was upon initial recognition split into a liability and an equity component respectively. The liability component was determined by assuming a market interest rate of 9.02% per annum. The loan note will be convertible into Esperite shares from 4 July 2017 until maturity at a conversion price of € 0.40. This conversion price equals Esperite's share price at the time the possible issuance of the note was being discussed and negotiated between the non-executive directors and Mr. Amar. The conversion price may be adjusted in a limited number of customary circumstances. The note will mature on 31 December 2019, unless earlier converted or repurchased. The note will not be listed. The loan note is considered as long term and therefore included in the non-current borrowings.

In May 2015 the Group issued a € 0.8 million convertible loan note to Educe Capital (Malta) Limited. The loan note pays an annual coupon of 7%. The unsecured convertible loan notes will bear interest at a rate of 7% per year, payable semiannually. The convertible loan note as a compound financial instrument was upon initial recognition split into a liability and an equity component respectively. The liability component was determined by assuming a market interest rate of 9.02% per annum. The loan note will be convertible from 4 July 2017 until maturity at a conversion price of € 0.55. The notes will mature on 31 December 2019, unless earlier converted or repurchased. The loan note is not listed. The loan note is considered as long term and therefore included in the non-current borrowings.

In May 2014 the Group issued a € 1.4 million convertible loan note to Salveo Biotechnology S.A. The loan note pays an annual coupon of 7%. The convertible loan note as a compound financial instrument was upon initial recognition split into a liability and an equity component respectively. The liability component was determined by assuming a market interest rate of 6.00% per annum. This convertible loan note has been transferred to Salveo Holding SA (€ 1.1 million) and Educe Capital (Malta) Limited (€ 0.3 million) as of 21 September 2015. Subsequently the loan note to Salveo Holding SA has been transferred to Mr. Amar on 16 May 2017.
The loan note to Educe Capital (Malta) Limited will be convertible into Esperite shares from 4 July 2017 until maturity at a conversion price of € 0.55. The loan note to Mr. Amar will be convertible into Esperite shares from 4 July 2017 until maturity at a conversion price of € 0.40. This conversion price equals Esperite's share price at the time the possible issuance of the note was being discussed and negotiated between the non-executive directors and Mr. Amar. The conversion price may be adjusted in a limited number of customary circumstances. The note will mature on 31 December 2019, unless earlier converted or repurchased. The note will not be listed. The loan note is considered as long term and therefore included in the non-current borrowings.

In March 2015 the Group acquired InKaryo Corporation which included six convertible loan notes. The loan note pays an annual coupon of 6%. Five notes of a total amount of $0.20 million were issued on 10 May 2013 and mature on 9 May 2015. A sixth note in the amount of $0.08 million was issued on 23 July 2013 and matures on 23 July 2015. As part of the acquisition the mature date for four convertible loan notes was renegotiated till 31 December 2015. Two convertible loan notes have been converted into ordinary shares of Esperite N.V. in 2015. The remaining four notes have been converted into ordinary shares of Esperite N.V. in 2016. See note 30 for additional disclosure.

Financial lease obligations
In March 2009 the Group entered into a sale and lease back agreement with ING Lease Belgium N.V. in relation to the Group's processing and storage facility in Niel, Belgium. Pursuant to the agreement, ING Lease Belgium N.V. purchased the facility and agreed to finance its construction for an amount of € 4.3 million. The Group leased the facility for a fixed period of 15 years. Lease instalments are paid quarterly in advance commencing on 1 September 2009, and are computed on an annuity basis. The interest is fixed for 15 years at 5.5%. The first quarterly payment amounted to € 430 thousand followed by quarters of € 93 thousand. The lease obligation is recognized as financial lease obligation (borrowings). After the initial 15-years lease period the Group has the right to purchase the facility from ING Lease Belgium N.V. for 10% of the invested amount (€ 430 thousand).

In this respect reference is made to note 42 regarding events after reporting period. Early 2018 this liability has been transferred to a related party to avoid working consumption.

External financing
In March 2017, Esperite concluded a new financing arrangement of up to € 13 million to support its commercial activity and development of innovative technologies for Genoma and regenerative medicine for Cryo-Save and Cell Factory. The investor is European Select Growth Opportunities Fund, a fund based in Australia and managed by L1 Capital Pty Ltd.
The financing arrangement consists of a private placement of € 1 million launched on 8 March 2017 through the issuance of convertible notes with share subscription warrants attached. Furthermore, this financing arrangement consists of a maximum additional potential financing of up to € 8 million through similar further private placements of convertible notes with share subscription warrants attached over the next 36 months, subject to fulfilment of certain conditions. Upon the exercise of all share subscription warrants, the total investment can reach € 13 million.

The 100 tranche warrants of the first commitment representing an investment of € 1.0 million were exercised on 8 March 2017 into convertible loans and have been fully converted. On 31 May 2017 the Company issued the remaining 800 tranche warrants (the "tranche warrants of the second commitment"). From the tranche warrants of the second commitment, 330 tranche warrants representing an investment of € 3.3 million have been exercised as per 31 December 2017 of which 311 have been converted into shares. Each tranche warrant gives the investor access to 1 convertible note with a principal amount of € 10.000, each with share subscription warrants attached.
Total amount received under the financing program for 2017 amounted to € 4.3 million in tranche warrants and 550,000 share subscription warrants have been exercised representing an investment amounting to € 0.25 million.

<u>Main characteristics of the Tranche Warrants</u>
The Company may request the exercise of Tranche Warrants and the issuance of the Notes with Warrants attached in tranches of € 500,000 each, upon the earlier of (i) the full conversion into shares and/or redemption in cash of all outstanding Notes and (ii) the 6-month anniversary of the issuance of the previous tranche of Notes, provided that the following conditions are satisfied (or waived by the Investor):

(i) no more than 36 months shall have expired from the signing date of the Issuance Agreement;
(ii) no material adverse change shall have occurred;
(iii) no event that constitutes an event of default and no triggering event that would constitute an event of default if not cured during the applicable cure period, if any, shall be in existence;
(iv) no suspension of the trading of the shares on Euronext (other than intra-day suspension at the request of Euronext Amsterdam under Euronext rules) shall have occurred over the 90 preceding calendar days (including the date of the sending of the Request);
(v) the Issuer shall have at least:
  - 2 times coverage of shares (based on the Conversion Price (as defined below) authorized, available and approved for issuance to the Investor upon conversion of the maximum amount of Notes to be issued for the applicable Tranche, increased, as the case may be, by the amount of any other outstanding Notes; and
  - 1 time coverage of shares authorized, available and approved for issuance to the Investor upon exercise of the maximum number of Warrants to be issued for the applicable tranche;
(vi) taking into account the Notes to be issued to the Investor under the requested tranche, the Investor shall not hold more than € 750,000 of aggregate principal amount of Notes (it being specified that such condition shall not apply for the issuance of the first tranche);
(vii) the closing price and the daily volume weighted average price on each of the 5 preceding trading days shall be at least equal to € 0.70 (subject to adjustments resulting from share consolidation or share split); and
(viii) the average daily value traded of the shares over the 10 preceding trading days shall be at least equal to € 20,000,

Upon such request being submitted and the conditions having been fulfilled or waived, the Investor shall have the obligation to subscribe for, and immediately fund, such tranches of Notes with Warrants attached.

<u>Main characteristics of the Notes</u>
The Notes have a nominal value of € 10,000 each and will be subscribed at 99.5% of such nominal value. The Notes bear no interest and have a maturity of 12 months from their respective issuance date. Each Note gives its holders a conversion right to receive, at the Company's discretion (i) cash, (ii) ordinary shares, or (iii) a combination of cash and ordinary shares.

<u>Main characteristics of the Warrants</u>
The number of Warrants to be issued under each tranche will be such that, multiplied by their exercise price, the resulting amount shall be equal to 45% of the principal amount of the tranche.
The Warrants shall be immediately detached from the Notes. They may be freely transferred or assigned by the Investor to one or more of its affiliates and may not be transferred or assigned to any other third party without the prior written consent of the Company. The

Warrants shall have a maturity of 5 years from their respective issuance date (the "Exercise Period"). Each Warrant will give right to its holder, during the Exercise Period, to subscribe 1 new share of the Company, subject to customary anti-dilution protection.
The Warrant Exercise Price will be equal to:
115% of the lowest daily volume weighted average price of the share over the 10 consecutive trading days preceding the Request (or the Tranche Warrant exercise date, in case of Tranche Warrants exercised at the discretion of the Investor).

In accordance with IFRS the following accounting treatment has been applied:

- Tranche warrants
  The initial measurement of the tranche warrants will be at fair value (plus related transaction costs) and subsequent changes in the instrument's fair value will be recognised in the profit and loss account.
- Convertible notes
  The initial measurement of the convertible note will be fair value (plus related transaction costs) and the subsequent measurement will be at amortised cost.
- Share subscription warrants
  The initial measurement of the share subscription warrants will be fair value (plus related transaction costs) and recorded in equity. Subsequent changes in the instrument's fair value will not be recognised.

Disclosure regarding the fair value accounting can be found in note 41.

32 Deferred revenue

	2017	2016
Balance at 1 January	**12.819**	12.662
Deferred during the year	**1.001**	1.005
Released through statement of income	**(1.752)**	(1.191)
Interest	**279**	343
Balance at 31 December	**12.347**	12.819
Non-current	**11.347**	11.790
Current	**1.000**	1.029

Deferred revenue will be earned as revenue by means of the annual storage over a contractually committed 20 or 25 years period. The part of deferred revenue that will be recognized as revenue within one year is disclosed under current liabilities.

The current estimation of the costs relating to the storage for which revenue is deferred amounts to € 4.8 million. The margin included in the deferred revenue will be released through the statement of profit and loss in the future.

33 Pensions plans

Net employee defined benefit liabilities

	2017	2016
Swiss pension plan	**689**	930
Total provision	**689**	930

The Group has a defined benefit pension plan in Switzerland (funded). The Group's defined benefit pension plan is a final salary plan for Swiss employees, which requires contributions to be made to a separately administered fund. This plan is governed by the employment laws of Switzerland, which require final salary payments to be adjusted for the consumer price index upon payment during retirement. The level of benefits provided depends on the member's length of service and salary at retirement age. The fund has the legal form of a foundation and it is governed by the Board of Trustees, which consists of an equal number of employer and employee representatives. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy.

The following tables summarize the components of net benefit expense recognized in the statement of profit or loss and the funded status and amounts recognized in the statement of financial position for the respective plans.

2017 changes in the defined benefit obligation and fair value of plan assets:

	Pension cost charged to income statement									
	1 January 2017	Deconsolidation	Service costs	Net interest expense	Administrative Expenses	Sub-total included in income statement	Benefits paid	Contributions by participants	Insurance premium for risk benefits	Subtotal
Defined benefit obligation	**(1.902)**	**679**	**(26)**	**(8)**	**(9)**	**(43)**	**280**	**(24)**	**-**	**213**
Fair value of plan assets	**972**	**(341)**	**-**	**4**	**-**	**4**	**(280)**	**41**	**-**	**(235)**
Benefit liability	**(930)**	**338**	**(26)**	**(4)**	**(9)**	**(39)**	**-**	**17**	**-**	**(22)**

	Remeasurement gains/(losses) in other comprehensive income							
	Return on plan assets	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	Changes in foreign exchange rates	**31 December 2017**
Defined benefit obligation	**-**	**-**	**1**	**(104)**	**(103)**	**-**	**99**	**(1.014)**
Fair value of plan assets	**(20)**	**-**	**-**	**-**	**(20)**	**-**	**(51)**	**325**
Benefit liability	**(20)**	**-**	**1**	**(104)**	**(123)**	**-**	**48**	**(689)**

2016 changes in the defined benefit obligation and fair value of plan assets:

	Pension cost charged to income statement								
	1 January 2016	Service costs	Net interest expense	Administrative expenses	Sub-total included in income statement	Benefits paid	Contributions by participants	Insurance premium for risk benefits	Sub-total
Defined benefit obligation	**(1,879)**	**(148)**	**(14)**	**(4)**	**(166)**	**441**	**(130)**	**-**	**145**
Fair value of plan assets	**1,301**	**-**	**9**	**-**	**9**	**(441)**	**130**	**-**	**(302)**
Benefit liability	**(578)**	**(148)**	**(5)**	**(4)**	**(157)**	**-**	**-**	**-**	**(157)**

	Remeasurement gains/(losses) in other comprehensive income							
	Return on plan assets	Actuarial changes arising from changes in demo-graphic assump-tions	Actuarial changes arising from chang-es in financial assump-tions	Expe-rience adjust-ments	Sub-total included in OCI	Contribu-tions by employer	Changes in foreign exchange rates	**31 De-cember 2016**
Defined benefit obligation	-	-	**(23)**	**(192)**	**(215)**	-	**47**	**(1,902)**
Fair value of plan assets	**7**	-	-	-	**7**	-	**(34)**	**972**
Benefit liability	**7**	-	(23)	**(192)**	**(208)**	-	**13**	**(930)**

The major categories of plan assets of the fair value of the total plan assets are as follows:

	2017	2016
Cash and cash equivalents	**(287)**	31
Equity instruments	**-**	327
Debt instruments	**-**	426
Real estate	**-**	127
Assets held by insurance company and other investments	**612**	61
Total plan assets	**325**	972

The principal assumptions used in determining pension benefit obligations for the Group's plans are shown below:

A quantitative sensitivity analysis for significant assumption as at 31 December 2017 is as shown below:

	2017	2016
	%	%
Discount rate:	**0,75**	0,75
Future salary increases	**1,00**	1,00
Average active life expectancy as from 31 December	**52,8**	54,2

Assumptions	Discount rate		Future salary increases		Life expectancy	
Sensitivity Level	**0.5% increase**	**0.5% de-crease**	**0.5% increase**	**0.5% de-crease**	**+ 1 year**	**- 1 year**
Impact on defined benefit obligation	**-100**	**119**	**6**	**-5**	**20**	**-20**

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to the defined benefit plan in future years:

	2017	2016
Less than one year	**112**	105
Between two and five years	**413**	394
Between five and ten years	**496**	604

The average duration of the defined benefit plan obligation at the end of the reporting period is is 21.2 years (2016: 19.7 years).

34 Current trade and other payables

	2017	2016
Trade payables	**6.123**	8.642
Payables to related parties	**594**	403
VAT payable	**46**	237
Other taxes payable	**2.042**	2.354
Other payables	**4.236**	3.467
Total current trade and other payables	**13.041**	15.103

Fair value of the current trade and other payables is equal to their carrying value, due to their short-term nature. Total current trade and other payables increased due to working capital management.

35 Current tax liabilities

	2017	2016
Income tax payable	**54**	73
Total current tax liabilities	**54**	73

36 Share-based payments

Share option scheme 2015-2017
On 23 December 2015 a new share option scheme – the ESPERITE Share Option Scheme – was approved by the AGM pursuant to which options for ESPERITE N.V. shares can be granted to eligible officers, employees and other qualifying persons.

The ESPERITE Share Option Scheme has a term until 31 December 2017. Its objectives are retention, attraction of new hires and aligning employees' and shareholders' interests with the long-term success of the Company. The number of shares in respect of which options may be granted under the ESPERITE Share Option Scheme on any grant date when added to (a) the number of shares comprised in outstanding options granted pursuant to the ESPERITE Share Option Scheme and (b) the number of shares which have been issued on the exercise of options that have been granted pursuant to the ESPERITE Share Option Scheme, shall not exceed 15% of the number of ordinary shares in issue immediately prior to such grant date. The number of options that may be granted to the Chief Executive Officer (CEO) pursuant to the ESPERITE Share Option Plan shall not exceed 20% of total number of options that can be granted pursuant to the ESPERITE Share Option Scheme. The number of options that may be granted to any other participant in the ESPERITE Share Option Plan shall not exceed 10% of total number of options that can be granted pursuant to the ESPERITE Share Option Scheme.

The Selection, Appointment and Remuneration (SAR) Committee determines if and how many options shall be granted to the CEO and any other executive director. Granting options to others is at the discretion of the CEO. Except for the CEO the service period of this plan amounts to 3 years. After this service period there is an exercise period with a maximum of another 3 years.

The exercise price is equal to the stock price at grant date. The settlement of the option will be in existing or new shares.

The share options (share appreciation rights) will not be exercisable until the date which is three years after the date of grant and the employee continues to be employed by the Group at the vesting date. The share appreciation rights can be exercised up to three years after the three-year vesting period and therefore, the contractual term of the share appreciation rights is six years. The amount for the share appreciation rights is measured, initially and at the end of each reporting period until settled, at the fair value of the share appreciation rights, byapplying a binominal option valuation model, taking into account the terms and conditions on which the share appreciation rights were granted, and the extent to which the employees have rendered services to date.

The expense recognized for employee services received during the year is shown in the following table:

	2017	2016
Expense arising from equity settled share based payment transactions	**88**	10

The following table illustrates the number of exercise prices and movements in the share options during the year:

Year issue	Exercise price	Out-standing 01-Jan-17	Granted	Exercised	Expired	Forfeited	Out-standing 31-Dec-17	Expiry Date	Vest-ed
2016	€ 1,31	915.500	–	–	–	391.500	524.000	2022	–
2017	€ 0,47	–	1.402.500	–	–	–	1.402.500	2023	-
Total	–	–	**1.402.500**	–	–	–	**1.926.500**	–	–

The following table list the weighted average inputs to the models used for the three year plans for the years ended 31 December, respectively:

	2017	2016
Share price (€)	0,47	1,31
Exercise price (€)	0,47	1,31
Expected dividend yield (%)	0%	0%
Expected volatility (%)	59%	57%
Risk–free interest rate (%)	-0,060%	–0,126%
Remaining vesting period (years)	2,9	2
Maximum contractual life (years)	6,0	6

The expected life of the share options and SARs is based on current expectations and is not necessarily indicative of exercise patterns that may occur. We do not take historical data as main consideration because of the changes in the Company regarding rebuilding commercial teams and centralizing processing facilities and shared services in Geneva. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Share option scheme 2007-2009

On 30 October 2007 the Company established the Cryo-Save Group 2007 Share Option Scheme (the 'Option Scheme'). All options granted in 2007, 2008 and 2009 currently outstanding were granted under this Option Scheme. The main features of this 2007 Option Scheme are summarized as follows:

All employees of the Company and/or its subsidiaries and Executive and Non-Executive Directors who are nominated by the Selection, Appointment and Remuneration Committee are eligible to participate. Certain third parties selected by the Selection, Appointment and Remuneration Committee are also eligible to participate.
Grants of options may normally be made within 42 days after either the date on which the Option Scheme was approved by the Company or the announcement of the Company's interim or final results in each year. Options may also be granted at other times to new employees, management companies or Directors or in other circumstances determined by the Selection, Appointment and Remuneration Committee to be exceptional. No options may be granted more than five years after the date the Option Scheme was approved by the Company.

The option price per ordinary share is the amount determined as the greatest of (1) the amount equal to the average of the closing market prices of an ordinary share over the five dealing days prior to the date on which an option is granted to a participant; (2) the nominal value of an ordinary share; or (3) the amount specified by the Selection, Appointment and Remuneration Committee to be the option price.

An option granted under the Option Scheme is not transferable and generally may only be exercised within the period of three to ten years after the date of grant except in the following circumstances: (a) an option is exercisable within a limited period if the option holder ceases to be employed by the Company and/or its subsidiaries by reason of injury, disability, ill-health or redundancy or retirement; or because his employing company ceases to be a member of the Group; or because his employing business is being transferred out of the Group, or, at the discretion of the Board, for any other reason. In the case of a management company, the option is exercisable if the Selection, Appointment and Remuneration Committee so decide. The personal representatives of an option holder may exercise an option within a limited period after the death of the option holder; (b) Options are exercisable within a limited period in the event of a takeover of the Company or in the event that an offer becomes entitled or bound to acquire any ordinary shares and will in certain circumstances lapse if not so exercised; (c) the options are exercisable within a limited period in the event that the Company is placed in liquidation.

The aggregate number of ordinary shares issued or that remain capable of issue under the Option Scheme on (and including) any date of grant together with the number of ordinary shares issued or that remain capable of issue pursuant to options granted in the previous 10 years under all the share schemes of the Company may not exceed 5% of the number of ordinary shares in issue immediately before the date of grant.

On 5 October 2009 the General Meeting adopted a revised Share Option Scheme, which is called the '2009 Share Option Scheme'. The main amendment in relation to the 2007 Share Option Scheme is that the Selection, Appointment and Remuneration Committee may adjust the number of options that have been granted to a participant in the event the options were granted based on incorrect financial or other data, or in the event due to extraordinary circumstances arisen since the date of the grant of the options, the exercise of the options by a participant would produce an unfair result. The adjustment may only be downwards if options were granted based on incorrect financial or other data. In such an event the Selection, Appointment and Remuneration Committee may also recover from a participant any amounts received after the exercise of the options. In the event the exercise of the options by a participant would produce an unfair result due to extraordinary circumstances arisen since the date of the grant of the options, the adjustment may be both upwards and downwards.

Stock options

Year issue	Exercise price	Out-standing 1 Jan 2017	Condi-tionally awarded	Exercised	Expired	Forfeited	Out-standing 31 Dec 2017	Expiry date	Vested
2007	£11,05	6.000	–	–	(2.000)	(4.000)	-	2017	-
2008	£10,50	2.000	–	–	–	–	2.000	2018	2.000
2009	£2,79	-	–	–	–	–	-	2019	-
2010	€ 5,81	4.000	–	–	–	(4.000)	-	2020	-
2011	€ 5,47	12.000	–	–	–	(8.000)	4.000	2021	4.000
2012	€ 3,93	12.000	–	–	–	(12.000)	-	2022	-
Total		**36'000**	**–**	**–**	**(2.000)**	**(28.000)**	**6.000**	**–**	**6.000**

The forfeited share options are related to senior managers who left the Group.

The exercise price of the stock options issued in the years 2007, 2008 and 2009 were in GBP due to the Group's listing at the London Stock Exchange (AIM) at that time.

In 2017 the Group recognized € 0 share-based payments, relating to two option plans issued in the period 2011-2012 (2016: € 0 thousand).

37 Directors' remuneration

For details of the Group's remuneration policy, see the Remuneration report.

The remuneration of the Directors was as follows:

	Base salary and fees	Social security	Pension	Accrued bonus	Other benefits	2017	2016
F.A. Amar	300	25	11	150	24	510	533
V.M.F. Borgeot	43	-	-	-	-	43	43
R.H.W. Lorijn	45	4	-	-	-	49	53
G.J. van der Marel	58	-	-	-	-	58	58
Total remuneration	446	29	11	150	24	660	687

The other benefits of F. Amar comprised expense reimbursements.

The 2017 pension contributions as presented above concern the paid pension premiums for the financial year 2017, at 4% of base salary (2016: 14%).

Shareholding of the Directors

The Directors hold the following number of shares in the Company as at 31 December:

	2017	2016
F. Amar	2.863.748	2.863.748

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

38 Related party transactions

Related party transaction

Transactions between the Company and its subsidiaries, which are related parties of the Company, have 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 Group and other related parties are disclosed below.

	2017	2016
Group entities with equity accounted investees		
– Cryo-Save Arabia FZ-L.L.C., sales transactions	96	58
– Cryo-Save South-Africa (Pty) Ltd., sales transactions	210	33
Group entities with other related parties		
– Bioteca – Preservação de Células Estaminais SA, sales transactions	-	64
– Bioteca – Preservação de Células Estaminais SA, purchase transactions	-	358

The outstanding positions are at 31 December as follows:

	2017	2016
The outstanding receivable position amounted with		
– Cryo-Save Arabia FZ-L.L.C.	95	17
– Cryo-Save South-Africa (Pty) Ltd.	608	430
– Bioteca – Preservação de Células Estaminais SA	-	244
The outstanding payable position amounted with		
– Bioteca – Preservação de Células Estaminais SA	-	125
– F. Amar	2.591	1.005
– V.M.F. Borgeot	3	3
– R.H.W. Lorijn	3	3
– G.J. van der Marel	3	35
– Salveo Holding SA	-	1.142

Bioteca – Preservação de Células Estaminais SA is a lab in Portugal which is used for the processing and storage of stem cells. Lab consumables were sold to Bioteca – Preservação de Células Estaminais SA.

The outstanding payable to F. Amar consists of a convertible loan note of nominal € 926 thousand (2016: € 926 thousand), interest payable convertible loan note of €123 thousand (2016: € 66 thousand) , current account amounting to € 292 thousand (2016: € 0 thousand) and accrued bonus for the year €150 thousand (2016: € 120 thousand).
The outstanding payable to Salveo Holding SA was transferred to F. Amar during 2017. This note consists of a convertible loan note of nominal € 1,100 thousand (2016: € 1,100 thousand and interest payable € 0 thousand (2016: € 42 thousand).

Key management personnel compensation

The Board with its Executive Directors and Non-Executive Directors acts as a one tier Board. The Executive Directors and Non-Executive Directors are solely considered as key management personnel.

39 Commitments and contingent liabilities

a. Operating lease arrangements

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Rent	Cars	Other	2017	2016
Less than one year	1.085	101	6	1.192	1.112
Between two and five years	3.592	150	3	3.745	3.640
More than five years	3.344	-	-	3.344	1.473
Total	8.020	251	9	8.280	6.225

The operating lease arrangement costs for the year 2017 amounts € 1.568 thousand (2016: € 1.575 thousand).

b. Rent
The Group has several property rent contracts for a total amount of € 1.1 million per annum (2016: € 1.0 million). These leases have an average life of between two and eight years. All leases have been classified and measured as operating leases in accordance with IAS 17, except for the lease of the building in Niel, Belgium. See note 31 for additional disclosure.

c. Guarantees
The Group has issued bank guarantees amounting to € 0.5 million (2016: € 0.5 million), which expire between 2017 and 2022.

d. Claims, legal and juridical proceedings
The Group is involved in legal cases and ongoing disputes or potential legal proceedings with some parties in the ordinary course of business. Liabilities and contingencies in connection with these matters are periodically assessed based upon the latest information available, usually with the assistance of lawyers. A liability is accrued only if an adverse outcome is more likely than not and the amount of the loss can be reasonably estimated. If one of these conditions is not met, the proceeding or claim is disclosed as contingent liability, if material. The actual outcome of a proceeding or claim may differ from the estimated liability and consequently may affect the financial performance and position.
The Group is involved in legal cases and disputes with some former employees in the operational area. Furthermore for some reporting entities there is indistinctness regarding information reported. To cover the potential exposure of this an provision has been recorded. The total expected amount of the claims is expected not to exceed € 216 thousand.

Genoma SA

On the 4 of May 2017 Genoma SA, a subsidiary of the Company, was filed for bankruptcy due to outstanding amounts to its supplier Premaitha. Genoma SA and Premaitha concluded an agreement on 15 March 2015 for the supply of the genetic test Iona.
Genoma SA was forced to discontinue using the Premaitha Iona test some weeks after the serious legal claim against Premaitha's technology by Illumina (Patent Infringement). Premaitha has not been able to demonstrate that the Iona test doesn't infringe Illumina's patents.

Genoma SA blocked payments to Premaitha, a total of € 900 thousand for several reasons:
- A considerable amount has been claimed for failure in the supply;
- Illumina sued Genoma SA for patent infringement because of the use of Premaitha's Iona;
- Premaitha never offered valid support for defense despite they were selling a patent infringing product.

The British supplier sent several summons for payment and finally obtained a court decision ruling for the bankruptcy of Genoma SA officially on 4 May 2017. The official register was updated on 9 May 2017.
Genoma SA did appeal against this filling based on the above mentioned arguments. This appeal was rejected by the court and as a result Genoma went bankrupt. As a result assets has been impaired and Genoma SA has been excluded from consolidation as per 4 May 2017.
During the period since 4 May 2017 several activities have been undertaken by the lawyers of the Company with respect to the bankruptcy of Genoma SA. In general the Company believes that the situation changed in favor of the Company. The Company prepared a counter claim against Premaitha which have been accepted by court to take into consideration. Regarding the claims against Genoma SA there are recent developments which improves the position of the Company. In September 2018 Premaitha reached settlement with Illumina under which Premaitha has to make a series of payments in full and final settlement of all ongoing UK litigation.
This is considered as an implicit recognition of guilt by Premaitha. We can consider that Premaitha did infringe the different Illumina's patents. Esperite considers then having good ground to claim cancellation for all legal requests made by Premaitha.
Given the current situation the Board of Directors feel confident to recognize no provision in connection with the claims against the Company neither recognize an asset as long as the receivable is not virtually certain.

40 Audit fees

The aggregate fees of the Group's auditor, accon avm controlepraktijk B.V., for professional services rendered are stated in the table below.

	2017	2016
Audit fees	**320**	335
Audit-related fees	**–**	–
Tax fees	**–**	–
Total	**320**	335

Audit fees consist of fees for the audit of Consolidated financial statements and Company only financial statements. The fees for 2017 related to accon avm controlepraktijk B.V. amount to € 320 thousand of which € 125 thousand has been recorded as cost in 2017. The 2016 fees relate to Ernst & Young Accountants LLP the Netherlands amount to € 335 thousand. The fees charged for 2016 and 2017 consist only of audit fees.

41 Additional information on financial instruments

The table below shows the carrying amount of the various financial instruments by category as from the balance sheet date.

	2017	2016
Loans and receivables		
Trade receivables, non-current assets	**45**	1.336
Trade receivables, current assets	**4.701**	6.528
Other receivables, non-current assets	**1.917**	81
Other receivables, current assets	**2.429**	2.185
	9.092	10.130
Cash and cash equivalents	**694**	386
Total assets, financial instruments	**9.786**	10.516
Other liabilities		
Borrowings, non-current liabilities	**5.661**	5.339
Other liabilities, non-current liabilities	**92**	75
Borrowings current liabilities	**459**	235
Trade payables, current liabilities	**6.123**	8.642
Other liabilities, current liabilities	**6.918**	6.461
Total liabilities, financial instruments	**19.253**	20.752

The Group is exposed to the following risks from its use of financial instruments:
• credit risk
• liquidity risk
• market risk
• currency risk
• interest rate risk
• capital risk.

Risk management framework

The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group´s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Exposure to credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from receivables from customers, business partners and its cash and cash equivalents. In order to minimize the credit risk, management reviews the recoverable amount of each individual receivable regularly to ensure that adequate impairment losses are recognized for irrecoverable debts. This credit risk is influenced mainly by the individual customer. If clients refuse or are unable to meet their contractual payment obligations, the Group may not have sufficient cash to satisfy its liabilities, and the growth rate and continued operations could be adversely impacted. The exposure to credit risk is monitored on an ongoing basis at local entity level. Credit control policy include payment reminders to clients, use of external collection agents and lock of access to information in case of non-payments from B2B clients. Credit risk on cash and cash equivalents is also mitigated by group credit control monitoring.

Generally, the maximum exposure to credit risk is represented by the carrying value of the financial assets in the balance sheet. Trade receivables are presented net of an allowance for impairment, which is based on individually significant exposures. The risk related to individual significant exposures, and a collective loss component that have been incurred but not yet identified. The risk related to individual significant exposures is measured and analyzed on a local level, mainly by means of an aging analysis. Next to the aging analysis additional circumstances, like the impact of the credit crisis on the financial situation of customers are being evaluated continuously. When necessary, additional impairment allowances are recognized. The collective loss component allowance is determined based on historical data of payment.

Breakdown of current trade receivables by age
On the balance sheet current trade receivables are presented net of an allowance for impairment of € 1.6 million (2016: € 1.4 million). The aging of the current trade receivables and the impairment losses recognized for doubtful debts at reporting date were:

	Gross 2017	Impairment 2017	Gross 2016	Impairment 2016
Not overdue	**4.010**	**-**	4.464	-
Past due 0-30 days	**285**	**-**	623	(21)
Past due 30-180 days	**246**	**(35)**	906	(84)
More than 180 days	**1.764**	**(1.569)**	1.977	(1.337)
Total current trade receivables	**6.305**	**(1.604)**	7.970	(1.442)

An amount of € 4,010 thousand (2016: € 4,464 thousand) of the receivables has neither past due or has not impaired.
Non-current receivables, non-current other receivables and other current receivables are not past due and are not impaired.
The movement in the allowance for impairment in respect of current trade receivables during the year was as follows:

	2017	2016
Balance as at 1 January	**1.442**	896
Additions charged to income	**768**	698
Utilizations	**(606)**	(152)
Balance as at 31 December	**1.604**	1.442

The maximum exposure to credit risk for current trade receivables at the reporting date by type of debtors was:

	Carrying amount	
	2017	2016
Business partners	**284**	392
Customers	**4.417**	6.136
Total current trade receivables	**4.701**	6.528

The maximum exposure to credit risk for current trade receivables at the reporting date by geographic region was:

	Carrying amount	
	2017	2016
Italy	**1.215**	1.464
Spain	**287**	1.022
Swiss	**528**	–
Other countries	**2.671**	4.042
Total current trade receivables	**4.701**	6.528

Maximum credit risk exposure

The carrying amount of financial assets, amounting to € 9.8 million (2016: € 10.5 million) represents the maximum credit exposure.

The maximum exposure to credit risk for non-current trade receivables amounted to € 0.0 million (2016: € 1.3 million). These receivables are, according to the contractual payment scheme which allows customers to pay in annual instalments, not expected to be realized within 12 months after the balance sheet date.

The maximum exposure to credit risk for current other receivables of € 2.4 million (2016: € 1.7 million) mainly relate to customers to be invoiced and several small receivables.

The maximum exposure to credit risk for cash and cash equivalents amounted to € 0.7 million (2016: € 0.4 million).

Liquidity risk

Exposure to liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The primary objective of liquidity management is providing for sufficient cash and cash equivalents to enable the Group to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group. Reference is made to note 2c regarding going concern for additional disclosure.
The following table describes, as of 31 December, the Group's commitments and contractual obligations for the following five years and thereafter. Operating lease obligations are the future minimum rental payments required under the operating leases that have an initial or remaining non-cancellable lease term in excess of one year as of 31 December.
It must be noted that the substantially all of the liabilities reported in the column due in less than 1 year regarding "convertibles loan notes" and "trade and other payables" are due or due within 1 month. The amounts due in less than 1 year regarding "operational lease obligations" and "financial lease obligations" are regularly due over in the first year.

Contractual maturities of financial liabilities 2017

	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**2-5 years**	**More than 5 years**
Operational lease obligations	**na**	**(8.280)**	**(1.192)**	**(3.745)**	**(3.344))**
Financial lease obligations	**2.327**	**(2.834)**	**(370)**	**(1.480)**	**(985)**
Convertible loan note	**3.793**	**(4.345)**	**(416)**	**(3.929)**	**-**
Trade and other payables	**10.359**	**(10.359)**	**(10.359)**	**-**	**-**
Total	**16.479**	**(25.818)**	**(12.337)**	**(9.153)**	**(4.328)**

Contractual maturities of financial liabilities 2016

	Carrying amount	Contractual cash flows	Less than 1 year	2-5 years	More than 5 years
Operational lease obligations	na	(6.225)	(1.112)	(3.640)	(1.473)
Financial lease obligations	2.563	(3.343)	(407)	(1.582)	(1.354)
Convertible loan note	3.011	(3.508)	(372)	(3.136)	-
Trade and other payables	12.109	(12.109)	(12.109)	-	-
Total	17.683	(25.185)	(14.000)	(8.358)	(2.827)

Market risk

Exposure to market risk
Market risk includes currency risk and interest rate risk and comprises the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return on risk.

Currency risk
The Group has identified transaction and translation risks as the main currency risks. The Group is exposed to currency risk on its financial instruments if these are denominated in a different currency than their functional currency. This currency risk is limited because the majority of the transactions are denominated in functional currency, except for some intercompany recharges.

The Group does not hedge translation risks (such as the foreign exchange effect of translating operating results achieved outside the Eurozone). The Group regards its positions in other countries (in this case outside the Eurozone) as strategic and assumes that, over the longer term, currency fluctuations will be neutral on balance. The Group does not have any derivatives/hedging instruments.

Sensitivity analysis
A 10% strengthening or 10% weakening of the functional currency will have a limited impact on equity and/or consolidated statement of profit or loss.

Interest rate risk
The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model.

The Group has a financial lease obligation until 2024 against a fixed interest percentage of 5.5%. A change of the market rate will not materially affect the Group's results.
The Group has issued convertible loan notes until 2018-2019 against a fixed interest percentage of 3% and 7%. A change of the market rate will not materially affect the Group's results.

Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern (see note 2c) in order to provide return for shareholders and benefits for other stakeholders and to maintain an optimal capital structure that optimize its cost of capital. Instruments for achieving an optimal capital structure are dividend policy, the option to purchase treasury shares and the option to issue new shares, in particular to fund potential acquisitions or to reduce debt. The Board of Directors also monitors the level of dividends to ordinary shareholders.
There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.
The Group issued the following non-listed convertible loan notes to:
- Educe Capital (Malta) Limited for the amount of € 1.1 million. The conversion rate is set to € 0.55 per ordinary share..
- Mr. Amar for the amount of € 2.0 million. The conversion rate is set to € 0.40 per ordinary share.
- Private placement for the amount of € 0.1 million. The conversion rate is set to € 0.55 per ordinary share.

To the loans do not apply external capital requirements.

The Group considers a gearing ratio (ratio of shareholders equity to the balance sheet total) of 20% as a sustainable level. The gearing ratio at year-end 2017 was around 4% (year-end 2016: 17%). The gearing ratio is negatively influenced by the large deferred revenue balance sheet position (see note 32). In case this effect is deducted from the balance sheet total, the gearing ratio at year-end 2017 was around 5%.
In addition the financing arrangement with European Select Growth Opportunities Fund offers the Company the possibility to maintain its gearing ratio at a sustainable level until equity is expected to increase due to expected growth and profitability.

Fair value measurement

Financial assets and liabilities carried at fair value

For assets and liabilities measured at fair value, IFRS requires the Company to disclose the level of the fair value hierarchy within which the fair value measurements are categorized. Given that the tranche warrant is the only instrument that is carried at fair value, the Company is required to disclose the level of the fair value hierarchy within which the fair value measurement of the tranche warrant is categorized.

Additionally, in accordance with IFRS the Company is required to disclose the level categorisation in the fair value hierarchy and the valuation methodology applied to the fair value as disclosed for the convertible note.
Tranche Warrant
The fair value of a single tranche warrant is derived from the valuation of its underlying convertible note and share subscription warrants. The highest outcome of the two valuation approaches, as detailed below, has been used to arrive at the fair value of such tranche warrants.

Approach 1 (intrinsic value):
Under this methodology, the intrinsic value of a tranche warrant is derived from the conversion value of the convertible note and the fair value of the share subscription warrants issued assuming that the tranche warrant is exercised on the valuation date.

Approach 2 (future scenario):
Under this methodology, a Monte Carlo simulation is used to estimate the value of the convertible note and share subscription warrants, which are subsequently used as inputs for the valuation of the tranche warrants. The volatility is calculated as the 126-day rolling average of the standard deviations of the daily log returns over a time period of 10 trading days. The Black & Scholes valuation model has been used to estimate the fair value of the share subscription warrants.
Due to the assumptions used in the calculation of the volatility used in the Monte Carlo simulation, the fair value measurement of the tranche warrants classifies as level 3 within the fair value hierarchy.

Sensitivity analysis
The Company performed a sensitivity analysis for each market risk to which the Company is exposed to at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date. The sensitivity analysis should show the effect of changes over the period until the Company next presents these disclosures, which is the next financial statement for the period ending on 31 December 2018. Given the financial instruments in scope the Company presents a sensitivity analysis regarding the market risks associated with the determination of the fair value of the tranche warrants as the periodic revaluation (subsequent measurement is at fair value) of the tranche warrant is certain to have an impact on the profit or loss of the Company.

The fair value of the tranche warrant as per 31 December 2017 is obtained from the Monte Carlo simulation (approach 2 as described in previous section). The sensitivity analysis is performed by shifting the share price volatility used in the Monte Carlo simulation. The share price volatility is calculated as the 126-day rolling average of the standard deviations of the daily log returns over a time period of 10 trading days. Refer to the table below for an overview of resulting fair value of the outstanding tranche warrants as per 31 December 2017 given a shift in the share price volatility of between -10% and 10%.

Volatility shift by	Fair value outstanding tranche warrants as per 31 December 2017
-10%	-1,474
0%	-1,701
10%	-1,919

Fair value of other financial assets and liabilities

IFRS also requires disclosure of the fair value of financial assets and liabilities which are not valued at fair value

The carrying amount of trade receivables and other receivables approaches the fair value, because an impairment amount is accounted for.

The carrying amount of cash and cash equivalents, trade creditors and other payables approaches the fair value, mainly because of the short maturity of these financial instruments.

The fair value of interest bearing long-term debts approaches the amortized cost. On one hand the market interest rates decreased compared to the fixed rate on these interest bearing loans. On the other hand the markup regarding the liquidity risk with the Group increased. As a result the fair value of the convertible loan notes does not deviate material from the fair value.

42 Events after the reporting period

Extension of financing arrangement

By the end of June 2018 The Company secured additional financing by entering into a second issuance agreement with European Select Growth Opportunities Fund. The Investor has committed to subscribe for an amount of up to € 5 million of convertible notes (the "Notes") with share subscription warrants attached (the "Warrants"), in several tranches over the 24 months following the issuance of the first tranche, subject to the fulfilment of certain conditions, including shareholders' approval by the general meeting of Esperite for the issuance of the Notes and Warrants to the Investor. The issuance of and subscription to the Notes and Warrants will be structured through the issuance by Esperite to the Investor of tranche warrants (the "Tranche Warrants"), whose characteristics are similar to the earlier issuance agreement of up to € 9 million entered into between Esperite and the Investor on March 8, 2017 (the "2017 Issuance Agreement").

Disposal of Cryo-Save Labs NV (Belgium)

In conformity with the Company's strategy to concentrate its laboratory activities in its state of the art and fully certified facilities in Geneva, its Belgium subsidiary company CryoSave Labs NV is left with no commercial activity and its facility in Neil has become redundant. CEO Frederic Amar offered to support Esperite by acquiring the loss making Belgium company with a structure he controls, taking such burden without receiving any asset and liability guarantee. Esperite has accepted to sell all the shares of CryoSave Labs N.V. to a company controlled by Mr. Amar by issuing a 7% interest bearing convertible loan note of € 2.5 million at a conversion price of € 0.50.

AFM

Listed companies must publish and simultaneously file their annual financial reports with the Autoriteit Financiële Markten (AFM) within four months after the end of the financial year. As announced through press releases, the Company needed additional time to publish its Annual Report for the fiscal year ended 31 December 2017. In case of failure to publish annual financial reports in time, the AFM may impose an instruction, an order for incremental penalty payment or an administrative fine, in accordance with the Financial Supervision Act (Wet op het financieel toezicht, or Wft).

Company statement of profit or loss

in thousands of euros

	2017	2016
Revenue	2.084	2.428
Cost of sales	-	-
Gross profit	2.084	2.428
Marketing and sales expenses	1	74
General and administrative expenses	1.517	2.177
Total operating expenses	1.518	2.251
Operating result	566	177
Impairment of goodwill	3.072	-
Depreciation and amortisation	122	47
EBIT	(2.628)	130
Finance income	10.235	36
Finance costs	(2.919)	(307)
Result before taxation	4.688	(141)
Income tax expense	-	-
Results subsidiaries and associates after taxes	(17.410)	(8.266)
Result for the year	(12.722)	(8.407)

Company balance sheet at end of year

before allocation of result in thousands of euros

	Note	2017	2016
Assets			
Goodwill	44	10.915	13.987
Other intangible assets	44	42	90
Intangible assets		10.958	14.077
Property, plant and equipment	45	2	124
Investments in subsidiaries and associates	46	4.354	9.432
Other non-current assets	47	1.422	41
Financial fixed assets		5.776	9.473
Total non-current assets		16.736	23.674
Other current assets	48	5.380	6.611
Cash and cash equivalents		240	235
Total current assets		5.620	6.846
Total assets		22.356	30.520
Equity			
Issued capital		1.922	1.038
Share premium		46.130	39.880
Legal reserve		272	272
Revaluation reserve		-	-
Translation reserve		(1.906)	(1.958)
Retained earnings		(45.447)	(32.293)
Shareholders' equity	49	971	6.939
Provisions	46	12.759	17.708
Non-current liabilities	50	3.901	3.150
Current liabilities	51	4.725	2.723
Liabilities		8.626	5.873
			-
Total equity and liabilities		22.356	30.520

Notes to the Company financial statements
in thousands of euros

The presentation of the Company statement of profit or loss has changed due to amendments in the Netherlands Civil Code, Book 2, Part 9. Consequently, a full company statement of profit or loss has been presented instead of a condensed one.

Accounting policies
The financial statements of Esperite N.V. are prepared in accordance with the Netherlands Civil Code, Book 2, Title 9, with the application of the regulations of section 362.8 allowing the use of the same accounting policies as applied for the consolidated financial statements. These accounting policies are described in the Notes to the Consolidated Financial Statements.

In these separate financial statements subsidiaries are valued using the equity method. However, goodwill on subsidiaries is presented separately. The carrying values of investments with a negative equity are deducted from any long-term loans receivable from the related subsidiary (if any). Provisions are formed for (remainder of) subsidiaries with negative net asset value.

Revenue comprises recharges of the Companies' costs to subsidiaries.
Related party transactions between subsidiaries, equity accounted investees, investments, and with members of the Board of Directors and the ultimate parent company Esperite N.V. are conducted on an at arm's length basis with terms comparable to transactions with third parties.

43 Employee benefit expenses

	2017	2016
Salaries and wages	496	863
Social security charges	58	124
Consultancy fees	23	4
Cost of defined contribution pension plans	26	40
Share-based payments	88	10
Other personnel expenses	13	86
Total employee benefit expenses	**704**	1'127

The average number of employees, expressed in full-time equivalents, was 5 (2016: 12). The number of employees located abroad, expressed as a headcount as of end of year, was 3 (2016: 3).

44 Intangible Assets

Movement schedule of goodwill is as follows:

	2017	2016
Balance at 1 January	**13.987**	13.987
Impairment	(3.072)	-
Balance at 31 December	**10.915**	13.987

Goodwill in the consolidated financial statements amounts to €11.612 thousand (2016: €14.684 thousand). Difference of €697 thousand (2016: €697 thousand) relates to the past-acquisition of the 100% subsidiary Salveo Life Sciences SA by the 100% subsidiary Cryo-Save AG. See for additional disclosure note 20.

Movement schedule of other intangible assets is as follows:

	2017	2016
Balance at 1 January	**90**	122
Additions	-	17
Amortisation	(48)	(49)
Balance at 31 December	**42**	90

45 Property, plant and equipment

	2017	2016
Balance at 1 January	**124**	171
Additions	-	-
Disposals at cost	-	-
Depreciations on disposals	-	-
Depreciations	(122)	(47)
Balance at 31 December	**2**	124

The property, plant and equipment mainly consist of office related equipment.

46 Investments in subsidiaries and equity accounted investees

	2017	2016
Net asset value of subsidiaries at 1 January	(8.276)	(590)
Deconsolidation	11.895	-
Capital contributions	(2.327)	4.987
Dividends paid	-	-
Acquisition	-	-
Share of profit of subsidiaries	(17.746)	(7.934)
Share of profit of equity accounted associates	681	(270)
Amounts recognized directly in equity	(123)	(209)
Exchange differences	51	9
Offset with loans	8.104	(4.268)
Other movements	(234)	-
Balance at 31 December	**(7.975)**	(8.276)

	2017	2016
Investment in subsidiaries and equity accounted associates	4.355	9.432
Provision for negative net asset value subsidiaries	12.330	17.708
Total investment in subsidiaries and equity accounted associates at 31 December	**(7.975)**	**(8.276)**

See note 22 for the subsidiaries directly held by Esperite N.V.

The carrying values of investments with a negative net asset value are deducted from any long-term loans receivable from the related subsidiary (if any). Provisions are formed for (remainder of) investments with negative net asset value.
Capital contributions related to the contribution of capital to several subsidiaries to strengthen their capital and to newly created entities.

47 Other non-current assets

	2017	2016
Balance at 1 January	**41**	6.438
Additions	**1.382**	166
Reclassifications to other current assets	**-**	(6.563)
Balance at 31 December	**1.422**	41

The addition consist of the non-current part of the capitalized interest relating to the finance arrangement with European Select Growth Opportunities Fund, a fund based in Australia and managed by L1 Capital Pty Ltd.

48 Other current assets

	2017	2016
Prepayments	**1.282**	14
Receivables from subsidiaries	**3.933**	6.563
Receivables from related parties	**147**	-
Current tax assets	**12**	27
Other receivables	**6**	7
Total current trade and other receivables	**5.380**	6.611

Prepayments consist mainly of the current part of the capitalized interest relating to the finance arrangement with European Select Growth Opportunities Fund, a fund based in Australia and managed by L1 Capital Pty Ltd.

Receivables from subsidiaries relate to revolving credit facility agreements. The interest on these revolving credit facilities consists of a floating rate (Euribor or Swiss official rate) plus a mark-up amounting to 0.5% to 1.0%.

49 Shareholders' equity

	Issued capital	Share premium	Legal reserv	Revalua-tion reserve	Transla-tion reserve	Retained earnings	Undistrib-uted profit	Share-holders' equity
At 1 January 2016	1.021	39.598	266	75	(1.967)	(16.546)	(7.057)	15.390
Exchange differences on translating foreign operations	-	-	-	-	9	-	-	9
Remeasurement gains (losses) on defined benefit plans	-	-	-	-	-	(208)	-	(208)
Result for the year	-	-	-	-	-	-	(8.407)	(8.407)
Appropriation of result prior year	-	-	-	-	-	(7.007)	7.007	-
Issued shares	17	366	-	-	-	(150)	-	233
Share based payments	-	-	-	-	-	10	-	10
Conversion option of convertible loan bond	-	(84)	-	-	-	(4)	-	(88)
Utilization of revaluation reserve	-		-	(75)	-	75	-	-
Other movements	-	-	6	-	-	(6)	-	-
At 31 December 2016	1.038	39.880	272	-	(1.958)	(23.836)	(8.457)	6.939

	Issued capital	Share premium	Legal reserve	Revalua-tion reserve	Transla-tion reserve	Retained earnings	Undistrib-uted profit	Share-holders' equity
Exchange differences on translating foreign operations	**-**	**-**	**-**	**-**	**52**	**-**	**-**	**52**
Remeasurement gains (losses) on defined benefit plans	**-**	**-**	**-**	**-**	**-**	**(123)**	**-**	**(123)**
Result for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(12.722)**	**(12.722)**
Appropriation of result prior year	**-**	**-**	**-**	**-**	**-**	**(8.407)**	**8.407**	**-**
Issued shares	**884**	**6.250**	**-**	**-**	**-**	**-**	**-**	**7.134**
Share based payments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Transaction costs of convertible loan note	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Utilization of revaluation reserve	**-**	**-**	**-**		**-**	**-**	**-**	**-**
Other movements	**-**	**-**	**-**	**-**	**-**	**(309)**	**-**	**(309)**
At 31 December 2017	**1.922**	**46.130**	**272**	**-**	**(1.906)**	**(32.675)**	**(12.772)**	**971**

See note 30 for additional disclosure.

50 Non-current liabilities

	2017	2016
Borrowings	**3'792**	3'011
Debts to subsidiaries	**109**	139
Non-current liabilities	**3'901**	3'150

The borrowings relate to the convertible loan notes. For additional disclosure see note 31. Debts to subsidiaries relates to a loan from a subsidiary which is due in 2018. The interest on this loan consists of a floating rate (Euribor) plus a mark-up of 1%.

51 Current liabilities

	2017	2016
Trade payables	**559**	474
Debt to subsidiaries	**1.922**	1.491
Other liabilities	**2.244**	758
Total current liabilities	**4.725**	2.723

Trade payables are all due or due within 30 days.

Increase in other liabilities relate to the fair value of the financial instruments attached to finance arrangement with European Select Growth Opportunities Fund, a fund based in Australia and managed by L1 Capital Pty Ltd.

52 Directors remuneration
For information on the directors remuneration, please see note 37.

53 Related party transactions
Esperite N.V. related parties comprise subsidiaries, equity accounted investees, the Executive and Non-Executive Directors and companies controlled by Directors.

The list of subsidiaries and equity accounted investees is disclosed in notes 22 and 23 of this annual report.

Subsidiaries Esperite N.V.
Transactions between Esperite N.V. and its subsidiaries concerned an amount of €2.1 million in management fees (2016: €2.4 million), €1.5 million in net finance income (2016: €0.04 million), € 0.2 million in capital contributions (2016: €5.0 million) and € 2.5 million in capital repayments (2016: €0.0 million).

Esperite N.V. has at 31 December amounts due from subsidiaries of €4.1 million (2016: €6.6 million).

Further, Esperite N.V. has at 31 December amounts due to subsidiaries of €2.0 million (2016: €1.6 million).

Executive and Non-Executive Directors
In respect of the Board composition as of 31 December, no shares in Esperite N.V. have been sold (2016: 0) and no shares have been acquired (2016: 0) by Executive and Non-Executive Directors. See note 37 for additional disclosure.

Equity accounted investees and companies controlled by Directors
In 2017, there were related party transactions between Esperite N.V. and its equity accounted investees and companies controlled by Directors.
See note 38 for additional disclosure.

54 Commitments and contingent liabilities
Rent

Esperite N.V. has a property rent contract and one operating lease contract regarding a company car. The total remaining obligation for these contracts does not exceed € 25 thousand. Of this amount € 22 thousand is due within 1 year. The remaining amount is due in 2019.

ESPERITE N.V. guarantees the financial lease obligation for the storage facility in Niel, Belgium, see note 31.

55 Audit fees

For information on the audit fees, please see note 40.

56 Proposed appropriation of profit
The appropriation of profit is governed by Article 25 of the Company's Articles of Association. The Company plans to propose to the Annual General Meeting of Shareholders on 8 January 2019 to charge the loss for the year against retained earnings.

57 Events after the reporting period

For information on events after the reporting period, please see note 42.

F.A. Amar
V.M.F. Borgeot
R.H.W. Lorijn
G.J. van der Marel

23 November 2018

Other information
on the financial statements

Article 25 of the Articles of Association

1. The Board of Directors will decide which part of the profits will be reserved. Theremaining profits of the Company shall be at the disposal of the General Meeting.
2. The Company may distribute profits only if and to the extent that its equity capital is greater than the aggregate of the paid and called-up part of the issued capital and the reserves which must be maintained by law.
3. Dividends may be paid only after adoption of the Annual Accounts which show that they are justified.
4. For the purposes of determining the allocation of profits any Shares or depository receipts issued therefore held by the Company and any Shares or depository receipts issued therefore of which the Company has usufruct shall not be taken into account.
5. The General Meeting may resolve to declare interim dividends following a proposal by the Board of Directors. A resolution to declare an interim dividend from the profits realized in the current financial year may also be passed by the Board of Directors. Dividend payments as referred to in this paragraph may be made only if the provision in paragraph 2 has been met as evidenced by an interim statement of assets and liabilities as referred to in Section 105 subsection 4 of Book 2.
6. Unless the General Meeting sets a different term for that purpose, dividends shall be made payable within 30 days after they are declared.
7. Following a proposal by the Board of Directors the General Meeting may direct that any dividend is wholly or partly paid in kind.
8. Any deficit may be set off against the undistributable reserves only if and to the extent that doing so is permitted by law.
9. If the aggregate of the paid and called-up part of the capital and the undistributable reserves is smaller than the minimum capital last set by law, the Company must maintain a reserve equal to the difference between these amounts.

Independent
auditor's report

INDEPENDENT AUDITOR'S REPORT

To: The shareholders of Esperite N.V.

Report on the audit of the financial statements 2017 included in the annual report
OUR DISCLAIMER OF OPINION
We were engaged to audit the accompanying financial statements 2017 of Esperite N.V., based in Zutphen. The financial statements include the consolidated financial statements and the company financial statements.

We do not express an opinion on the accompanying consolidated and company financial statements of the company. Due to the significance of the matters described in the 'Basis for our disclaimer of opinion' section, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on the accompanying consolidated and company financial statements.

The consolidated financial statements comprise:
1 the consolidated statement of financial position as at 31 December 2017;
2 the following statements for 2017: the consolidated statement of profit or loss, the consolidated statements of comprehensive income, changes in equity and cash flows; and
3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:
1 the company balance sheet as at 31 December 2017;
2 the company profit and loss account for 2017; and
3 the notes comprising a summary of the significant accounting policies and other explanatory information.

BASIS FOR OUR DISCLAIMER OF OPINION
Going concern
We draw attention to the company's disclosure on going concern as outlined in note 2.c on the pages 64, 65 and 66 of the financial statements which indicates that the going concern assumption is largely dependent on (i) the continuation of external financing and timely availability thereof from European Select Growth Opportunities Funds (hereafter: the investor) and (ii) meeting budget and cash flow forecasts. The company has a history of not meeting their budgets. Cashflow forecast shows a liquidity deficit which is assumed to be funded by the investor. We noted that the investor did not always met the funding needs as expected according to the high level cash flow forecast prepared by the Company. To obtain the funding from the investor certain conditions (i.e. condition "(vii)" as prescribed in the note 31 on the page 99 of the financial statements) of the covenants with the investor should be complied with, but were breached as per balance sheet date (31 December 2017) and have been waived by the investor. We asked management to provide us with a thorough cashflow forecast for the next 12 months period after signing date. Management provided us with a high level cashflow forecast. We are of the opinion that this high level cashflow forecast is not sufficient to evaluate properly the going concern of the company. In this high level cashflow forecast management made the assumption that the company is able to make use of waivers regarding future secured funding as in the past.

Ref.: J. MI. 18408

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As a result of the items described as above we are not able to conclude on the going concern assumption. This indicate the existence of a significant uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

Impairment
The company has performed an impairment analysis regarding the recorded goodwill. The outcome of this impairment analysis is included in note 20 on the pages 85-88 of the financial statements. The key assumptions underlying the impairment analysis are the budgets (including growth rate existent businesses and cost saving program) and the discount rate. The company changed its method for determining the discount rate which was based on a WACC calculation and is now taken into account a market reference approach. This is set out in the note 2.f on the page 66 of the financial statements. We identified the following significant uncertainties regarding the assumptions used in the impairment analysis:
- lack of available external market data (at the proper disaggregated level) for mainly the applied discount rate; and
- the reliability and the realizability of the budgets used.

As a result, we were unable to determine whether any adjustments were necessary in respect of the company's recognized goodwill and related capitalized development costs and recognized deferred tax asset, other fixed assets and statements in the income statement. If adjustments needed this may impact the covenants of the external financing from the investor.

We are independent of Esperite N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

FINANCIAL STATEMENTS 2016 AUDITED BY THE PREDECESSOR AUDITOR
Regarding the financial statements 2016, the predecessor auditor D.L. Groot Zwaaftink RA of Ernst & Young Accountants LLP issued an auditor's report with a disclaimer of opinion dated 22 May 2017.
The underlying circumstances for the disclaimer of opinion were multiple and mainly concentrated on the going concern assumption and the interaction of this with the valuation of goodwill, development costs, fixed assets and deferred tax assets. Other circumstances that formed a part of the disclaimer of opinion were:
- the filing for moratorium of payments of GENOMA S.A. and the possibility to reverse this filing and the inability to obtain sufficient and appropriate audit evidence regarding the consequences of continuing the business activities and impairment of assets.;
- a patent infringement claim with high risk exposure as well as the inability to assess the potential financial impact;
- an overdue trade receivable of € 361,000 which has not been impaired and the inability to obtain sufficient and appropriate audit evidence regarding the collectability of this receivable; and
- a commission fee payed of 7% (€ 140,000) for al financing arrangement and the inability to obtain sufficient and appropriate audit evidence to determine the reasonableness of the commission.

MATERIALITY
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken

Esperite – Ref: J. MI. 18408

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on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 255,000. We typically determine a range of 1-3% of total revenue where we ended up using the lower end of the range. The main reasons for this were the listing, the viability of the business and the rapid changes in the business environment. We have applied this benchmark based upon our analysis of the mutual interests of the key users of these financial statements. Based upon our analysis we conclude that revenue is an important key figure to determine the financial performance of the company.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons (e.g. going concern, related party transactions and disclosures regarding impairment of assets).

We agreed with the Non-Executive Board of Directors that misstatements in excess of EUR 8,900, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

SCOPE OF THE GROUP AUDIT
Esperite N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Esperite N.V..

Our group audit mainly focused on significant group entities located in Switzerland and in the Netherlands. Group entities are considered to be significant when they have a material impact on the group consolidated financial statements. For the audit of the significant group entities based in Switzerland, we worked together with a local auditor and provided them with audit instructions and performed file reviews during the course of the audit. Furthermore we have:

- performed audit procedures ourselves at other significant group entities;
- where deemed necessary we involved local auditors; and
- performed review procedures or specific audit procedures on the non-significant group entities.

Report on the other information included in the annual report
In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- CEO Statement;
- Financial review;
- Governance; and
- other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Due to the significance of the matters described in the 'Basis of our disclaimer of opinion' section we have not been able to consider in accordance with Part 9 of Book 2 of the Dutch Civil Code whether or not the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We were engaged to read the other information, based on our knowledge and understanding to be obtained through our audit of the financial statements or otherwise, to consider whether the other information contains material misstatements.

The Executive Board of Directors is responsible for the preparation of the other information, including the Governance report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements
ENGAGEMENT
We were engaged by the Non-Executive Board of Directors as auditor of Esperite N.V. on November 21, 2017 for the audit for the year 2017.

NO PROHIBITED NON-AUDIT SERVICES
We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public interest entities.

Description of responsibilities regarding the financial statements
RESPONSIBILITIES OF THE EXECUTIVE AND NON-EXECUTIVE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS
The Executive Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Executive Board of Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Executive Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Executive Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Non-Executive Board of Directors are responsible for overseeing the company's financial reporting process.

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS
Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with Dutch law, including the Dutch Standards on Auditing. However due to the matters described in the 'Basis for disclaimer of opinion' section, we were not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion.

Zaltbommel, November 23, 2018

accon avm controlepraktijk B.V.
On behalf:

Original has been signed by J.S. Visch MSc RA

INFORMATION FOR SHAREHOLDERS

Information for Shareholders

Shareholders exceeding 3% on 31 December 2017	
F. Amar*	**14.90%**
K. Bawuah-Edusei	**3.15%**

** The interest of this shareholder, and Director of the Group, includes the interests of other persons connected with them, and of companies of which the shareholder is a controlling shareholder*

The information regarding Shareholders exceeding 3% is based on disclosures the Group received from the respective Shareholders.

Share information

ESPERITE N.V. is listed on Euronext Amsterdam, The Netherlands and Euronext Paris, France.

Symbol	ESP
Quotation 31 December 2017	**€ 0.468**
Quotation 31 December 2016	**€ 1.338**
Highest quotation 2017	**€ 1.53**
Lowest quotation 2017	**€ 0.40**

Advisers to the group

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For more information on ESPERITE please visit our website
or contact Investor Relations at **ir@esperite.com**

ESPERITE Annual Report 2017


esperite
You owe it to your family