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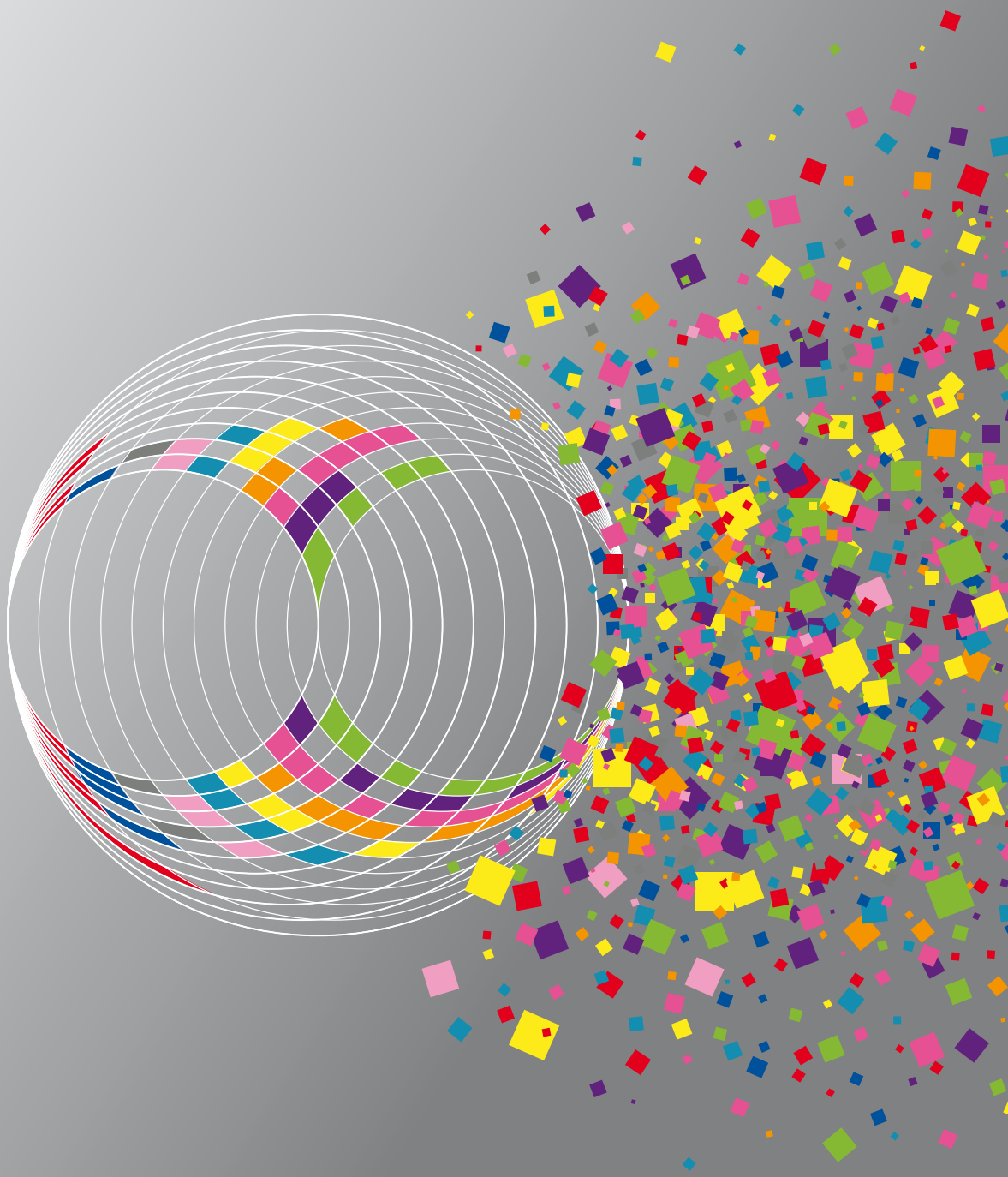


ESPERITE N.V.

Annual Report 2014

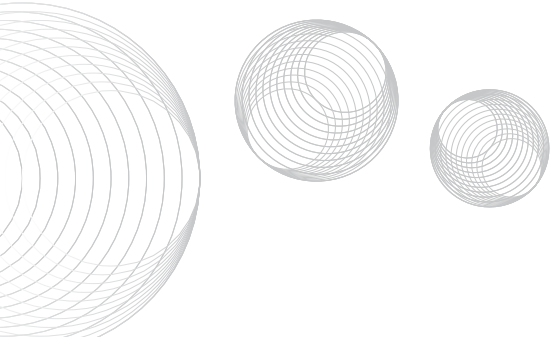
INTRODUCTION

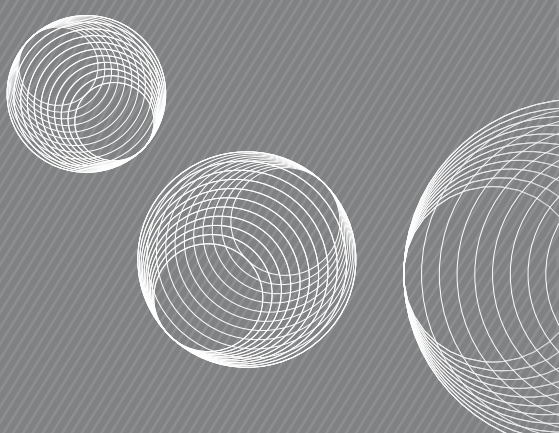
CEO Statement

ESPERITE is the perfect definition of a company. A company of heroes, adventurers and entrepreneurs marching in good faith. Created almost 15 years ago, our Group went through many successful developments initiated and conducted by our brave contributors.

Success precludes the necessary change vital for its own sustainability, like the wings of Icarus that shaped his power, freedom and loss. We confined our success to the performance of a single product, incapable by itself to support the company's growth in the long term. From day one at the helm of ESPERITE, I expressed the need for change with a sense of urgency. This was no reorganization, but leading the company to a new birth.

Once the right course was set, we executed. Our ambitious business model is articulated now in three separate synergetic business units attacking new markets with a diversified offer, transforming our mono-product model into a biotech multiservice company with a secondary listing on Euronext Paris and making strides towards the top of the sector.





Statement continued

We acquire the best technology and attract leading scientists to offer highly profitable and most reliable genetic tests to our customers from our powerhouse in Switzerland. In 2014, we revamped structures and operations to provide enhanced services more efficiently ensuring the sustainability of our stem cells business, while our R&D division is leading clinical trials for broader applications of stem cells in regenerative medicine. We are improving the way we understand and address human disease. ESPERITE is leading the paradigm shift towards a new era of personalized medicine, offering tangible benefits both to society and to our Shareholders.

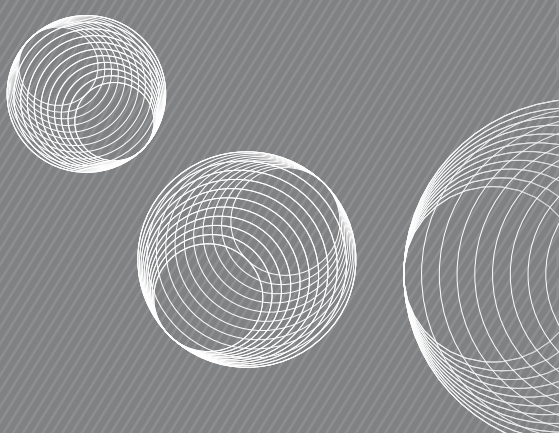
Our hunger is fed by the search for breakthrough technologies to better meet customers' health-related needs. We aim to master the disruptive technology that will replace the current status quo. This strategy will create the breaking effect sought.

We have achieved all the benchmarks set for 2014 at a relentless pace. Our actions spoke for ourselves in 2014, and our results will in 2015. This is my commitment and nothing will deviate us from it.

We are born again.

P&L

Frederic Amar
CEO



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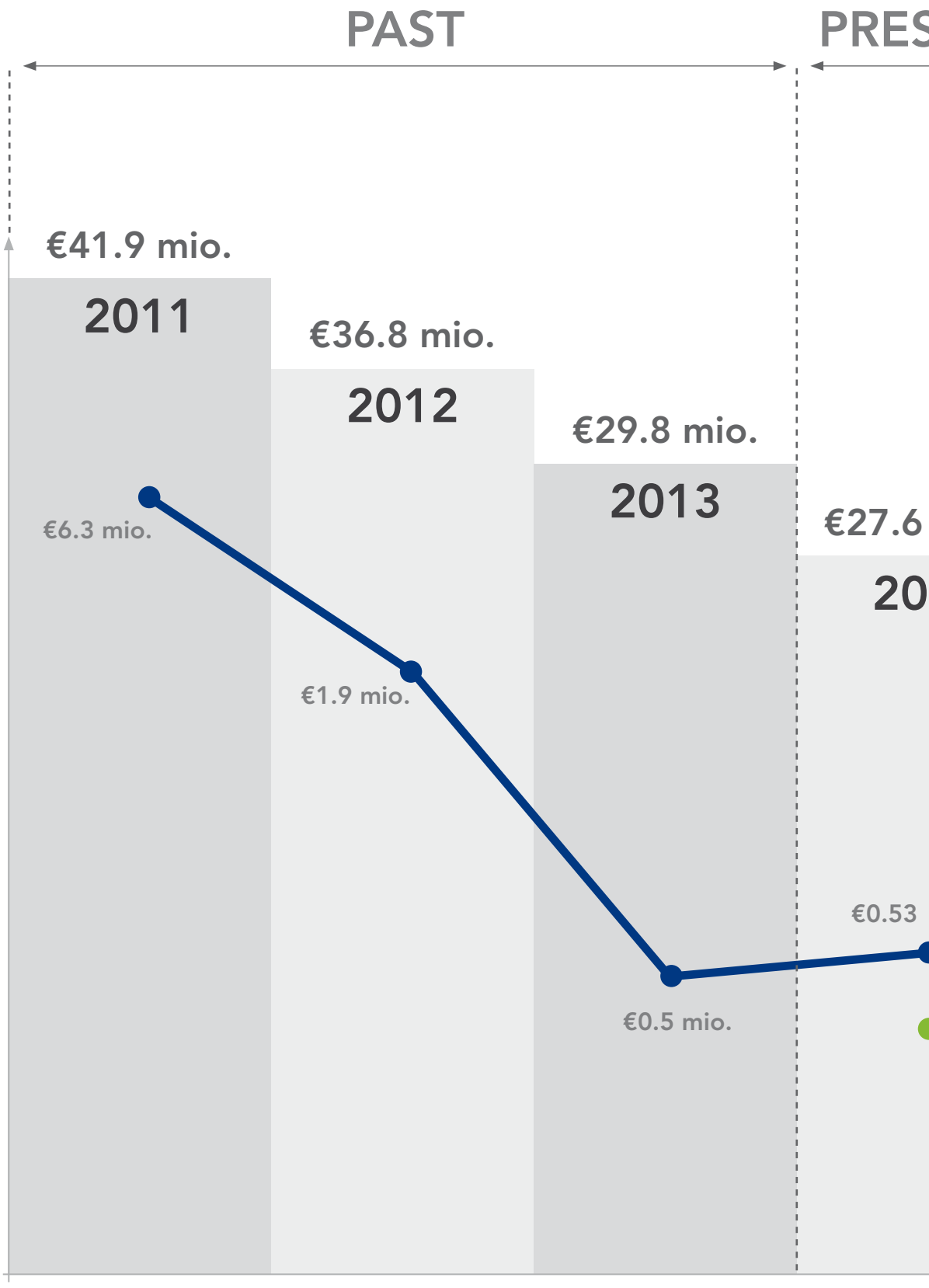
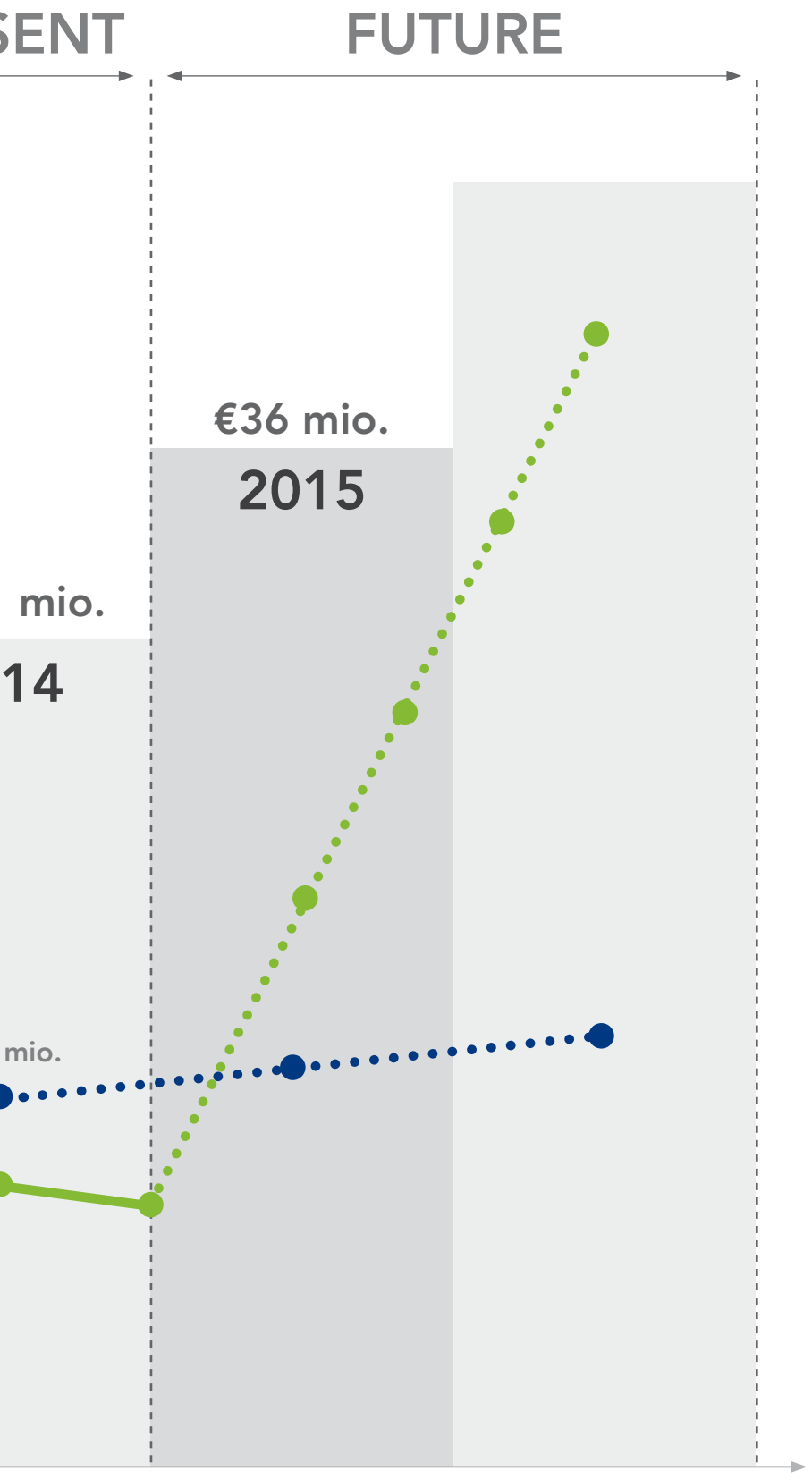
Performance



and Forecasts



Group Revenues €

Genoma SWISS BIOTECHNOLOGY EBITDA (underlying)*

CryoSave The Family Stem Cell Bank EBITDA (underlying)*

*underlying EBITDA: The underlying 2014 numbers are adjusted for non-recurring cost.

For details please see the Financial Review on page 47.

A

ESPERITE published financial results for 2014, metamorphosis completed, first positive forecast growth at €36 mio. Revenues (+30%) for 2015.

ESPERITE strengthens market position of Genoma with acquisitions of exclusive technology for fully-certified groundbreaking genetic tests. CryoSave's historical stem cell core business is now profitable and improving.

Consolidated operations, headcount rationalization, integrated sales and marketing strategies, laboratories integration and processes automatization completed to yield enhanced performance and results.

ESPERITE closed 2014 with an underlying **EBITDA of -€0.56 mio.**, a hefty result considering the investments to set up and position Genoma in the genomics and proteomics fast-growing market, further investments also strengthened CryoSave. Despite the 7% negative growth on revenues (€27.6 mio.: -€2.2 mio. vs 2013), mainly due to a temporary interruption of cord tissue exports from Spain, the processing & cryopreservation business unit reached a positive €0.53 mio. underlying EBITDA.

We register a **positive client intake trend** in 2014, compared to the decline initiated in 2011 in stem cell cryopreservation. Over 17,600 new clients have bestowed their long-term trust in ESPERITE signaling strong support to the Group's new approach and confirming the capacity of ESPERITE's network and sales force to generate new business, also under challenging market conditions.

Operational Costs dropped to €17.7 mio., a reduction in excess of €1 mio. compared to 2013, following the appointment of Mr. Amar as CEO and his determination to ensure competitive costs structures. This commitment will continue to yield results throughout 2015 in terms of further costs reductions.

FINANCIAL HIGHLIGHTS

The underlying 2014 numbers are adjusted for non-recurring cost. For details please see the Financial Review on page 47.

- Revenue €27.6 mio. (2013: €29.8 mio.)
- Gross profit as percentage of revenue 62.2% (2013: 64.5%)
- Underlying operating expenses before depreciation, amortization and impairments: €17.7 mio. (2013: €18.7 mio.)
- Underlying EBITDA*: -€0.56 mio. (2013: €0.5 mio.)

- CryoSave: +€0.53 mio.

- Genoma: -€0.63 mio.

- The Cell Factory and others: -€0.46 mio.

- Underlying EBITDA**: -€2.1 mio. (2013: -€1.0 mio.)
- Underlying operating result: -€3.4 mio. (2013: -€2.3 mio.)
- Underlying net result: -€3.3 mio. (2013: -€2.4 mio.)
- Cash position of €2.1 mio. as of 31 December 2014 (2013: €8.6 mio.)

To support its going concern assessment, the board of directors has obtained a funding statement of Salveo Holding S.A. ('Salveo'), a group controlled by Mr Frederic Amar, in which Salveo has declared that, if during a period of one year after the date of the signing of the 2014 audited consolidated financial statements and of the auditor's report contained therein the Group establishes that it is unable to fund its operations and that other sources of cash income are unavailable, Salveo will be prepared to provide the Group debt and/or equity funding on market terms for an amount up to €2 mio. For further detail see note 2a.

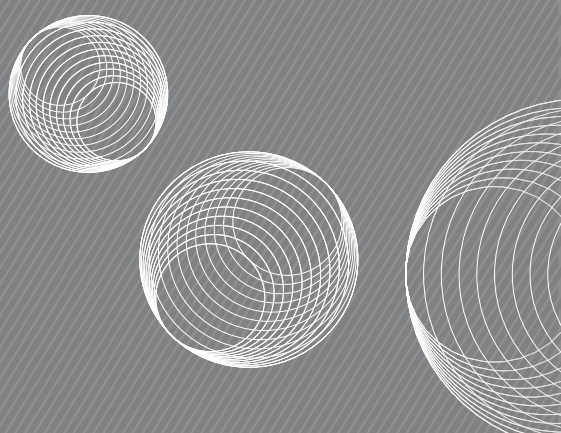
** EBITDA is defined as Earnings Before Interest, Taxation, Depreciation and Amortisation.*

*** EBITDA is defined as Earnings Before Interest, Taxation and Amortisation of identified intangible assets.*

C

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS:

This document contains forward-looking statements that are based on management's current expectations, estimates and projections. They reflect reasonable assumptions, knowledge and information available at the date of preparation of this annual report. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, many of which are difficult to predict. ESPERITE undertakes no obligation to update these forward-looking statements. Nothing in this entire document should be construed as a profit forecast.



FORECAST: €36 MIO. (+30%) FOR 2015

For 2015, ESPERITE forecasts sustained growth on the cryopreservation & storage activity at around €29 mio. revenues, and €7 mio. revenues in the genomics predictive medicine division on its first full year of operations, for a total ESPERITE revenues of circa €36 mio.

For Genoma's high-profit-generating products, sales forecast for TRANQUILITY and SERENITY are in excess of 10,000 units in 2015. Strong growth beyond 2015 is foreseen. Production costs will decline at a sharper pace due to further economies of scale and ESPERITE has ample capacity to absorb increased demand for genetic testing as product awareness permeates society and larger segments move into predictive and preventive medicine. The medical community is consistently reducing the threshold for genetic testing and moving towards broader screening policies.

As for the cryopreservation business, birth rate decline in the markets served will limit growth. On the other hand, clinical advancements will support sales as well as the synergies between the TRANQUILITY Non-Invasive Prenatal Test and the cryopreservation of stem cells. CryoSave has already recorded promising conversion rates in this regard.

Performance

ESPERITE closed 2014 with an underlying EBITDA of -€0.56 mio., a hefty result considering the level of investments to set up Genoma S.A. positioning the ESPERITE Group as a key player in the genomics and proteomics fast-growing market, in addition to strenghtening our position in the cryopreservation business.

The **Figure 1** shows the breakdown of 2014 underlying EBITDA for the three main pillars of ESPERITE.

CRYOSAVE, the processing & cryopreservation historical core business, increased in underlying EBITDA compared with 2013 with a positive €0.53 mio. despite a temporary interruption of cord tissue exports from Spain. **For 2015, the cryopreservation and storage activity forecasts sustained growth at €29 mio. revenues.**

GENOMA, ESPERITE's fully-owned genomics and proteomics subsidiary created only in mid 2014, had high initial investment required for the set up Genoma but compensated with revenues generated in Q4 for a year-end underlying EBITDA of -€0.63 mio.

For Genoma high-profit-generating products, sales forecast for TRANQUILITY and SERENITY are in excess of 10,000 units in 2015. Strong growth beyond 2015 is foreseen. Production costs will decline at a sharper pace due to further economies of scale. **For 2015, the genomics predictive medicine division forecasts revenues of €7 mio.**

THE CELL FACTORY, at the heart of the value chain, between stem cells cryopreservation and the existing and future regenerative medicine treatments had a negative underlying EBITDA of -€0.23 mio. in 2014. **The Cell Factory forecasts for its R&D division same levels for 2015 consistent with the planned investments.**

ESPERITE estimates a total of €36 mio. revenues in 2015

In parallel to developments, ESPERITE intensified its program to improve operational efficiency and consolidate operations, reducing complexity and achieving more competitive cost structures. The plan underway has enhanced efficiency across the group by further developing controllable and highly integrated processes.

ESPERITE's robust processes ensure now higher quality, better cycle time and sustainable lower overhead. The 2014 year-end financial report **(Figure 2)** reflects this effort recording substantially lower operational costs. ESPERITE forecasts for 2015 an increase in absolute value of the operational costs due to the Genoma investments even though ESPERITE is committed to continuing yielding results throughout 2015 in terms of further costs reductions.

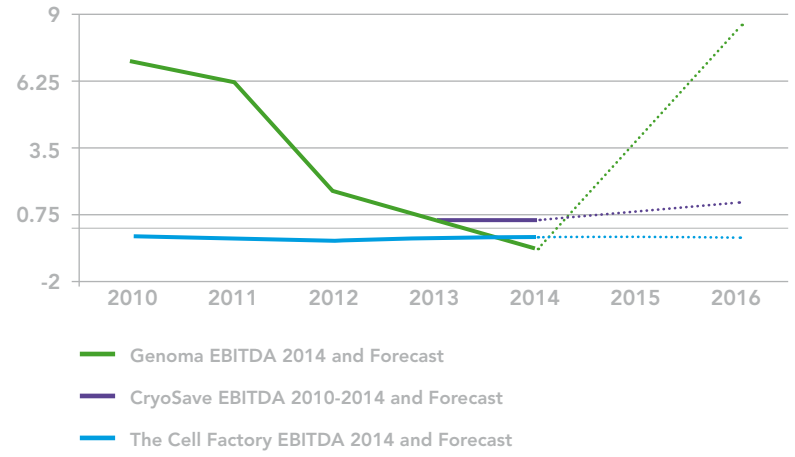
We register a positive client intake trend in 2014, compared to the decline initiated in 2011 in stem cell cryopreservation. Over 17,600 new clients have bestowed their long-term trust in ESPERITE signaling strong support to the Group's new approach and confirming the capacity of ESPERITE's network and sales force to generate new business, also under challenging market conditions **(Figure 3)**. In 2015, ESPERITE forecasts combining cryopreservation and Genetic activities, more than 27.000 new clients who trust ESPERITE Group to provide their medical information.

and Forecasts

EBITDA (underlying)

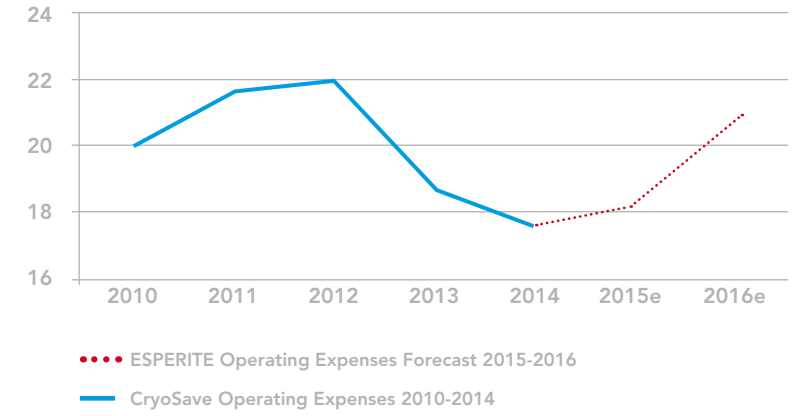
- CryoSave
- Genoma
- The Cell Factory

(Figure 1)
in mio. of €



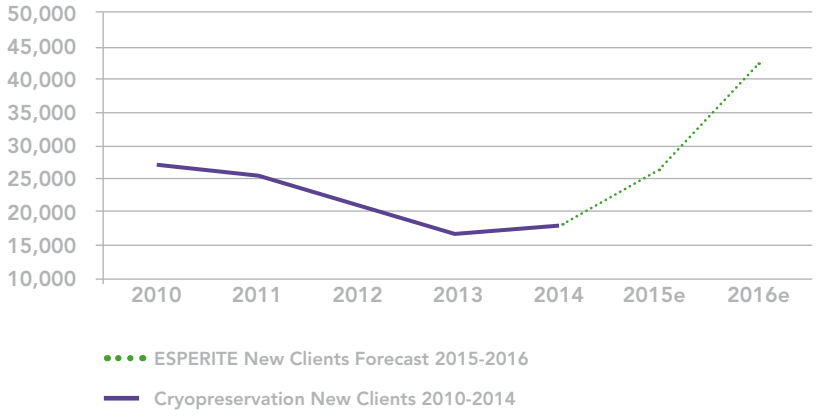
ESPERITE
Operational Expenses

(Figure 2)
in mio. of €



ESPERITE
Clients Intake

(Figure 3)
no. of new clients



From

CryoSave
The Family Stem Cell Bank

On the 2nd of July we changed the name from CryoSave to ESPERITE to mark the departure towards new more ambitious endeavors

ULTRA-MODERN PROCESSING AND STORAGE LAB FACILITIES

170 sales representatives
Network of 6,000 clinics
280,000 samples stored
Operational in 40 countries
17 samples released

To

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CryoSave

Cord blood and tissue cryopreservation

The leading international stem cell processing and cryo-conservation Group and the largest family stem cell bank in Europe holds Europe's largest repository of stem cells from both cord blood and cord tissue for use in autologous regenerative medicine.

- €0.53 mio. underlying EBITDA
- 17,600 new clients
- 6 labs

25,500 new samples stored in 2014. 6 international labs in Switzerland, The Netherlands, Belgium, Portugal, Dubai and South Africa.

Genoma

Proteomics and genomics predictive medicine

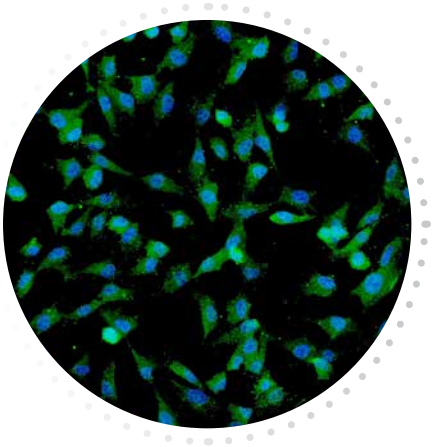
Specialized in genetic analysis, diagnostic tests and consultancy, Genoma is equipped with state-of-the-art genetic analysis laboratories in Geneva and has launched 2 products in 5 countries from its unique portfolio of exclusive new-generation proteomic and genetic tests.

- -€0.63 mio. underlying EBITDA
- Largest genetic platform for clinical diagnostics in Europe
- Dr. Rio Frio PhD appointed Genomics Manager

Multimillion investment in state-of-the-art lab facility in Switzerland. Advanced pipeline of unique genetic tests. Dr. Thomas Rio Frio PhD appointed Genomics Manager of GENOMA's cutting-edge NGS platform.

The Cell Factory

Translational research and regenerative medicine R&D



R&D division, led by Dr. Marcin Jurga PhD, at the heart of the value chain, between stem cells cryopreservation and existing and future regenerative medicine treatments.

- -€0.23 mio. underlying EBITDA
- Over 10 years of experience in stem cell expansion and tissue engineering
- 12 GMP Clean Rooms for BioProduction
- 10 preclinical projects
- Pioneer clinical trials in Cerebral Palsy

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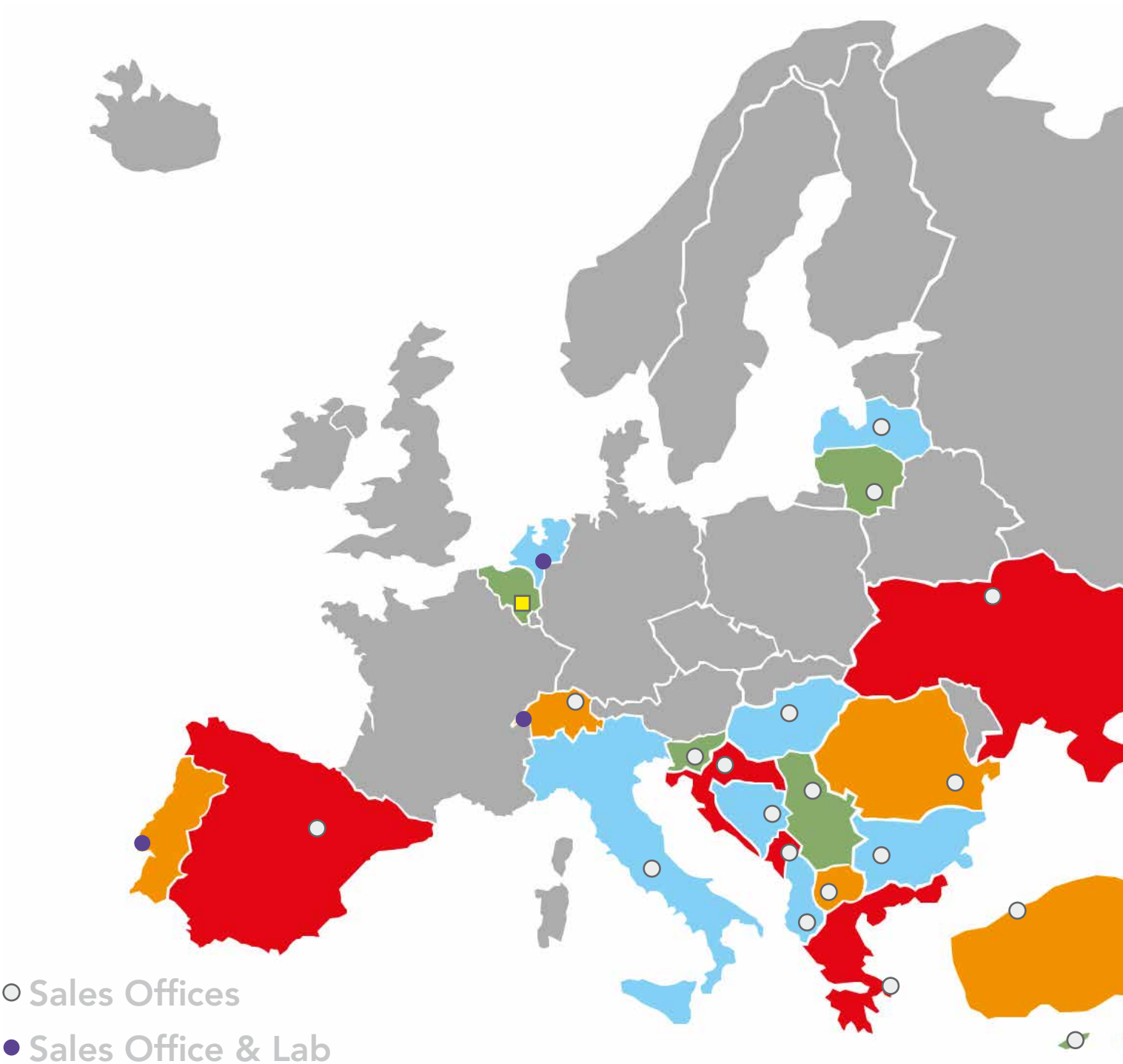
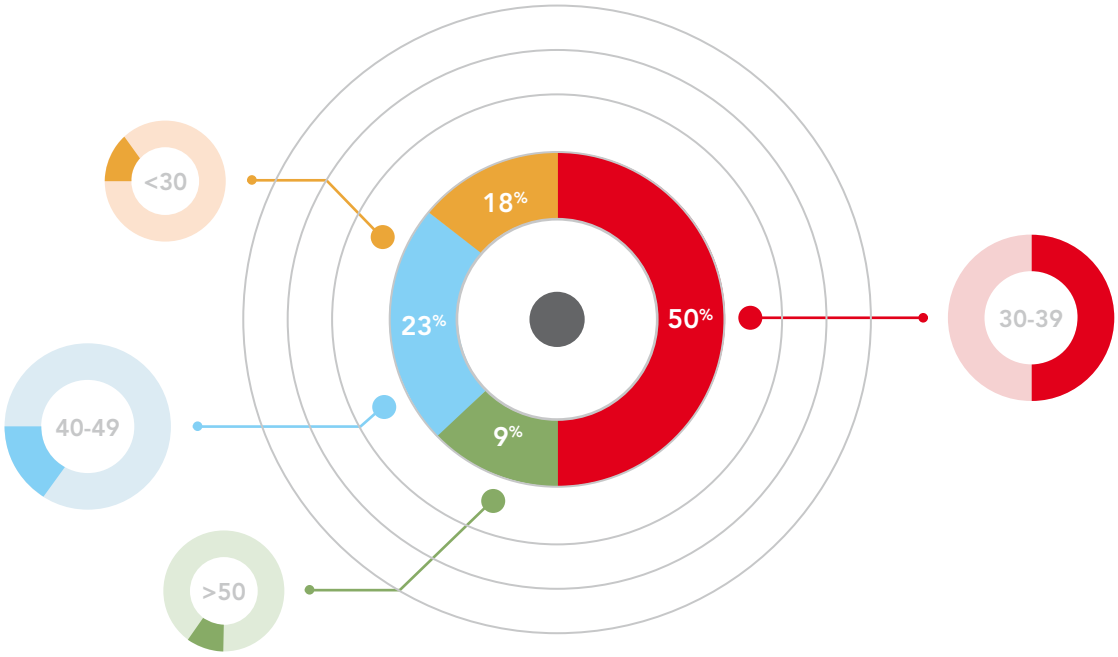


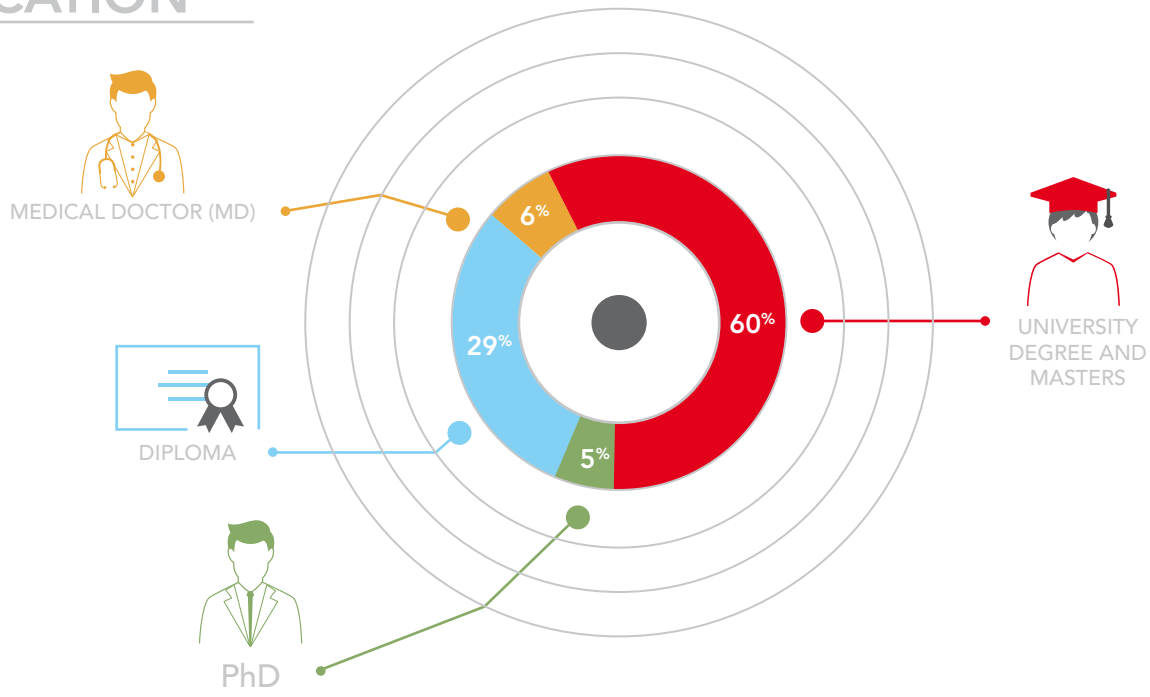
The Team

We celebrate diversity and inspire innovation by leveraging the unique attributes, knowledge, skills and talents of our diverse workforce.

AGE



EDUCATION



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Alfonso Casal, General Manager for Spain
(Joined in December 2014)

"I have dedicated 25 years of my life to preserve and improve people´s health, working for pharmaceutical Industry multinationals in the fields of neurology, allergy, endocrinology and oncology. I joined ESPERITE, attracted by its forward-looking scientific excellency, to make an impact in society. I am impressed by the Group's determination and relentless pace of execution. We have a winning strategy and its implementation boosts our position in the market."

Sally Snyman, MD, Laboratory Director
(Joined in November 2011)

"It is a privilege to work in this state-of-the-art facility, at the heart of the Group and do our bit to support the emerging medical paradigm of stem cell therapies."

Dr. Marcin Jurga PhD, R&D Manager
(Joined in November 2011)

"Each day stem cells are saving human lives and new therapies are emerging to treat incurable diseases. I started experiments with stem cells 15 years ago, being cautiously optimistic about their use in humans. Today ESPERITE has all the critical factors to be at the forefront of regenerative medicine, strong and visionary leadership, experienced and dedicated team, expertise in stem cells. I am very excited to be a part of this winning team."

Dr. Thomas Rio Frio PhD, Genomics Manager
(Joined in September 2014)

"As genomics research deepens our understanding on how the genome affects health, Genoma's state-of-the-art sequencing platform extends predictive and personalized genomic medicine to every person to evaluate susceptibility to disease and determine most efficient and targeted therapies. A great promise for human health."

Giuseppe Mellon Franchini, General Manager for Italy
(Joined in December 2010)

"In my professional life, I faced different challenges in different industries, in some of the largest multinational groups in the world. Never, however, the level of excitement and enthusiasm was high as now. The ESPERITE Group is launching high challenges and it's the ultimate player in its field. It's a great pleasure and honour to contribute to this amazing adventure!."

The Team

Fabrizio Favara, COO
(Joined in March 2012)

"When I embarked on an adventure with Frederic Amar 3 years ago we had a mission. We have built a lot so far and we still have goals that we are racing towards. Today we are sailing with wind in our back and looking forward to new challanges ahead. Our aim is to establish a relationship with our clients that will last a lifetime."

Dr. Cécile Loison PhD, Laboratory Manager
(Joined in March 2012)

"The world of stem cells is immense and every day bringing new discoveries. I am very proud of being in charge of the reception, control, processing and freezing of our customers' stem cells, for the decades to come. In our labs, they are in safe and expert hands."

Samuel Amar, MSc., Head of IT Department
(Joined in March 2014)

"I joined ESPERITE in order to reinforce and standardise the IT procedures. Our Information System is at the heart of every process, from client enrollment to sample analysis or stem cell storage. For this reason, I personally supervise each of the projects that are handled by my team of engineers."

Vuk Devrnja, MD, MSc., Medical Officer
(Joined in March 2010)

"As a clinician I am used to working in a setting of clear missions and ideas, but working in ESPERITE means using all your knowledge and experience of years as a medical doctor and clinician with a completely different perspective. Establishing a beachfront in new therapeutic approaches and diagnostic methods provides for a very dynamic and interesting atmosphere to work in and this is a great challenge to be facing. Especially when one knows how much our work will influence the lives of people."

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Vanda Borsiczky, Country Manager Hungary
(Joined in August 2013)

"My journey has been started two years ago, when I joined the group in 2013. I thought, working for ESPERITE will be a great experience. But it is much more! Predictive and regenerative medicine is one of the fastest growing industries worldwide and ESPERITE is pioneering in this field. Our Group has the courage to take new roads and is ready to face all challenges along the way. Extending our business with the predictive genetic tests by using a latest and most advanced technology is a great example of it, meanwhile providing new, alternative solutions to our clients makes it much more beautiful. I am happy and proud to be part of this team of explorers and forward thinkers!"

Nuno Araújo, General Manager for Portugal
(Joined in June, 2014)

"Our aim is to be number one in Portugal, one of the biggest European cord blood market. Joining my 10 years experience in this field with ESPERITE's greatness, experience and liability will make it possible."

Assen Pachejieff, MD, EMBA, Country Manager Bulgaria
(Joined in November 2010)

"Working for ESPERITE gives me that special sense of fulfilment from contributing to a worthwhile mission. After having spent long years in public health and preventive medicine, it feels quite inspiring to be in the position of introducing some truly revolutionary screening and diagnostic methods to the local community in my country.

Last but not least, the opportunity to blend in experience from working with both clients/patients and with colleagues is more than enjoyable."

Kostas Shkurtis, Manager Greece
(Joined in September 2007)

"In September of 2007 nothing could prepare me for what was going to be the most exciting moment in my career; I had become a member of one of the most admired and well-known biotech companies in Europe. During all these years I have had the opportunity to work closely with amazing colleagues, I have seen the development of the company, its leadership in very different and challenging markets and its growth in countries where no one would expect. This is the power of ESPERITE, to strive for excellence. That's why I'm very glad to be part of that!."

The Team

Jérôme Pouzet, Manager Genoma
(Joined in May 2014)

"I Joined Genoma in May 2014 in order to launch the first predictive medicine tests on the market. General operations and sales process had to be defined and implemented, taking into account the regulatory specificities of each country. Very fast, the sales of the product increased beyond our expectations."

Gilbert Verhoef, Finance Manager
(Joined in August 2000)

"15 years ago I met the founders of ESPERITE and joined the company at the start-up. It was an experience to see the company from scratch, at different stages and turbulences, not knowing that this company will become a leader in Europe in the field of contribution to human health. It is a pleasure to be part of the driven international team. I am working in a challenging environment and that is the reason that I am still here."

Greg Roumeliotis, SEE-MENA Director
(Joined in June 2006)

"Joined CryoSave Group in 2006 following a career in hospital management, having identified that health care delivery had to change and evolve beyond frontiers and boundaries. A first step was the establishment and development of family stem cell banking services, within a sustainable and ethical framework for this innovative industry.

Today, we are accomplishing a step further; with the change of the 'DNA' of our Group with strong leadership and vision, we are creating the new paradigm in health care delivery, evolving and transforming predictive and personalised genomic medicine, towards precision medicine and affordable consumer health care!"

Ignacio Sainz, Manager Genoma
(Joined in December 2014)

"I joined ESPERITE attracted by its visionary leadership and strategic market position. As a member of the Genoma team, our job is to translate the latest scientific and technological advancements into health solutions that benefit families across Europe. I am proud to be part of a talented team that is delivering on our strategy and setting the market standards for genetic testing."

Genoma
SWISS BIOTECHNOLOGY

GENOMA S.A. a fully owned subsidiary of ESPERITE was created in June of 2014 with the mission to become the European leader in proteomics and genomics predictive medicine. This step was taken to support ESPERITE's strategic positioning in fast growing markets with a great development and expansion potential.

Having a unique portfolio GENOMA is built on one of the largest clinical genetics platforms in Europe. The latest technology is used by leading professionals to bring risk-free, accurate, fast and convenient tests to the population at large.

GENOMA tests bring to the people the genetic information related to their own health, enabling them to adopt a proactive approach towards health-related decisions.

Genomics Manager, Dr. Thomas Rio Frio (MSc and PhD in Human Molecular Genetics, former NGS platform manager at the Institut Curie in Paris, France) has established a cutting-edge NGS platform in GENOMA laboratories in Geneva.

With his team he is running the genetic tests and translating clinical research findings into screening and predictive tests available off the shelf. GENOMA has reached a commercial deal with Thermo Fisher Life Technologies to equip the Geneva laboratories with Ion Proton and Ion Chef genetic sequencing platforms.

GENOMA has entered into an exclusive distribution agreement with IntegraGen for the worldwide (excl. USA) distribution of REALITY, a predictive genetic test uncovering the predisposition of children to autism. REALITY will provide families and physicians the key information to tackle autism through early intervention, enabling a proactive and early approach towards doing what is best for the child.

ESPERITE's network of partners and solid relationships with the medical community built over a decade and a half of involvement in the biotechnology industry, were a strong foundation to launch GENOMA products. The initial product portfolio includes TRANQUILITY, a Non-Invasive Prenatal Test (NIPT) that detects fetal chromosomal abnormalities using a single blood draw from the mother; VERITY, a test for the inborn errors of metabolism of newborns and children, using the most advanced GC/MS (Gas Chromatography/Mass Spectrometry) technology. Both products were launched during Q4 in Italy, Spain, Hungary, Greece, Macedonia and Cyprus. Soon other countries will have the feel of ESPERITE's presence.

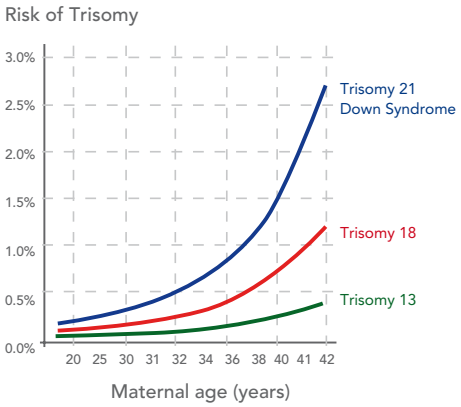

Genoma

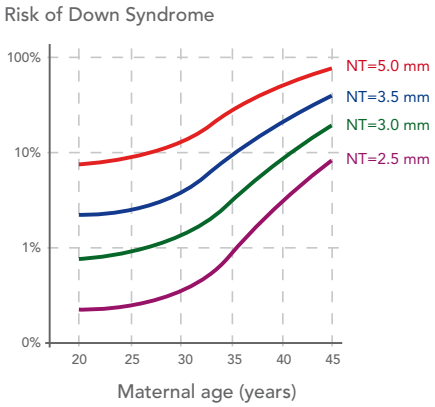
Tranquility®

Target:

Market Size: 5.2 million of newborns in Europe / year
Target Market: 50% of all pregnant women are over 30
Average price in 2014: €680

6.6% of pregnant women performed an amniocentesis. Among those, 3.6% were diagnosed with a fœtus carrier of a trisomy





Key Selling Points:

High Sensitivity > 99.9%*

This reflects the high capacity of TRANQUILITY test to avoid false negative results. Those occur when a test gives a negative result (no abnormalities detected), whilst in fact the baby does have the screened abnormality.

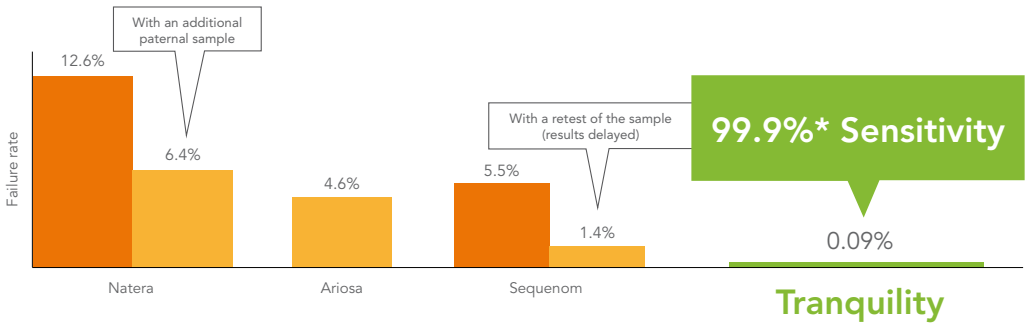
for trisomy 21

High Specificity > 99.9%*

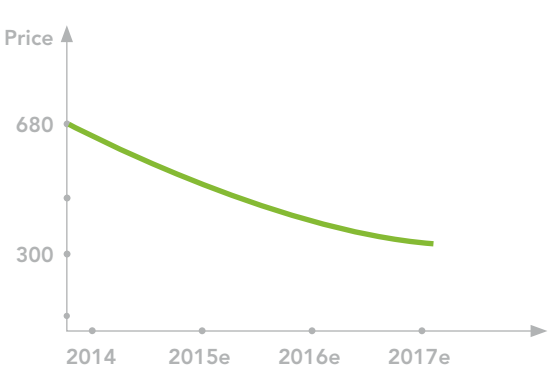
This is the capacity of the TRANQUILITY test to avoid false positive results. False positives results lead to unnecessary and risky amniocentesis whilst the baby does not have the screened abnormality.

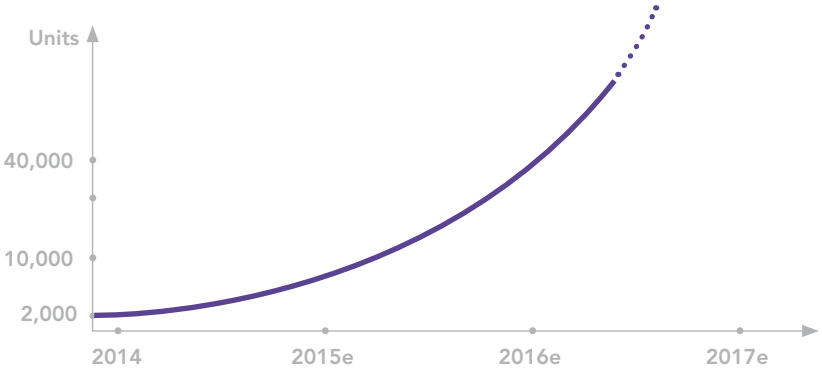
TRANQUILITY is the most robust Non-Invasive Prenatal Test. The extremely sensitive equipment and procedures that are used, allow us to reduce the risk of having false negative or false positive results to almost 0%.

Competitors

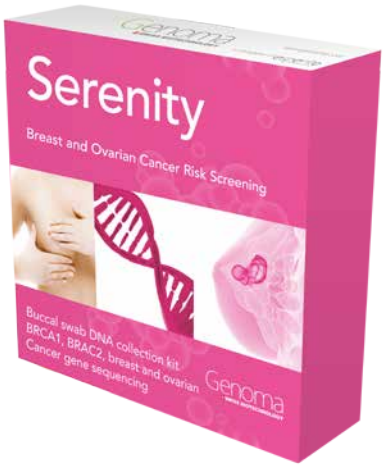


TRANQUILITY Estimated Price and Sales Evolution





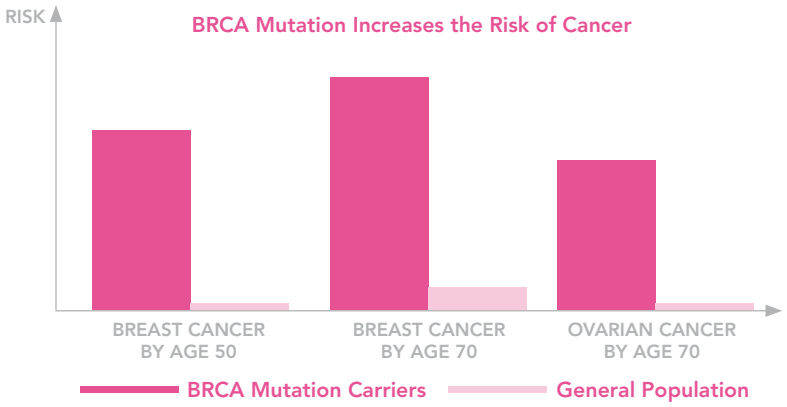
Serenity®



Target:

Women with or without family history
Market Size: Women between 18 and 55: 120 million
Target Market: 50% = 60 million of women
Already 1% represents 600,000 women
Price in 2015: €520

Female mutation carriers, for either gene BRCA 1 and 2, have 60% to 80% lifetime risk of developing breast cancer. SERENITY screens the BRCA1/2 mutations in the general female population.



Key Selling Points:

Product accessibility

SERENITY brings the BRCA testing to the general population, easily and without complicated procedures.

Affordable price

The end user price of €520 brings the test at least 50% cheaper than the competitors.

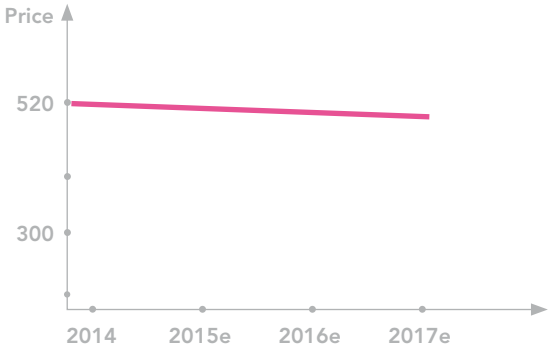
Commercial coverage

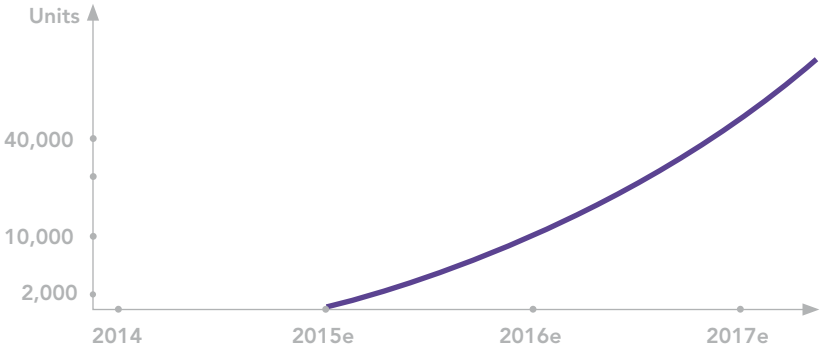
Thanks to the global commercial presence of the ESPERITE sales force, SERENITY can be spread widely on the market.

Competitors

No competitors on the same scale in Europe.

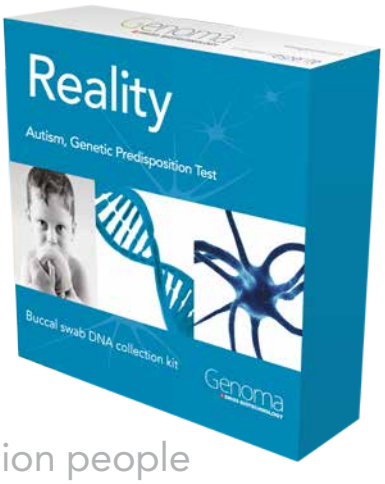
SERENITY Estimated Price and Sales Evolution






Genoma

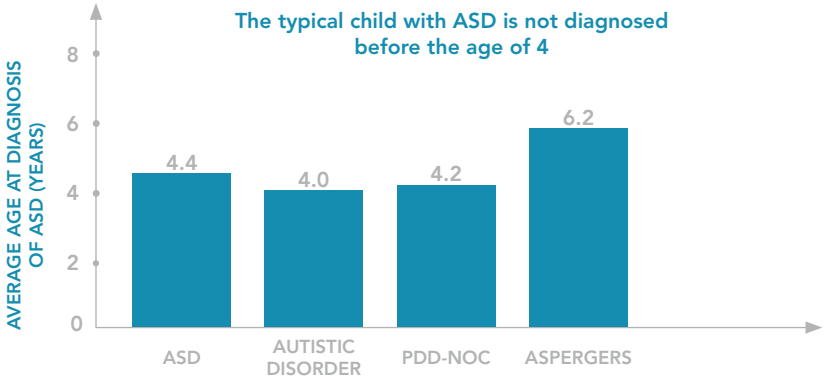
Reality®



Target:

Any child before the age of 4.
Children from families with or without history of ASD
Market Size: global prevalence: 1.15% of population = 5 million people
Global prevalence in children under 4: 350,000
1% of affected children under 4: 3,500 / year
Market penetration: 50% = 1,750 / year
Target Market: 100% = 1,750 / year
Price in 2015: €950

The REALITY test helps physicians identify children at increased risk for ASD (Autism Spectrum Disorders) in order to allow for earlier diagnosis and intervention options.



Key Selling Points:

Exclusive product

Test promoted in exclusivity thanks to specific agreement with patent owner. No similar test available on the market.

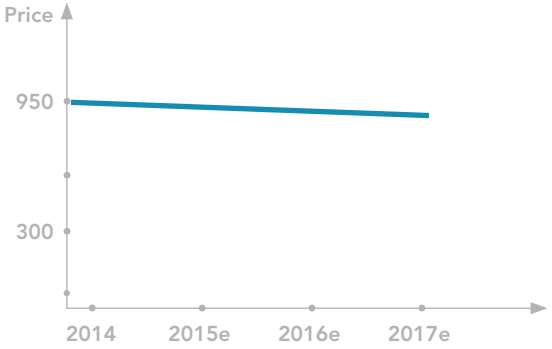
Affordable price

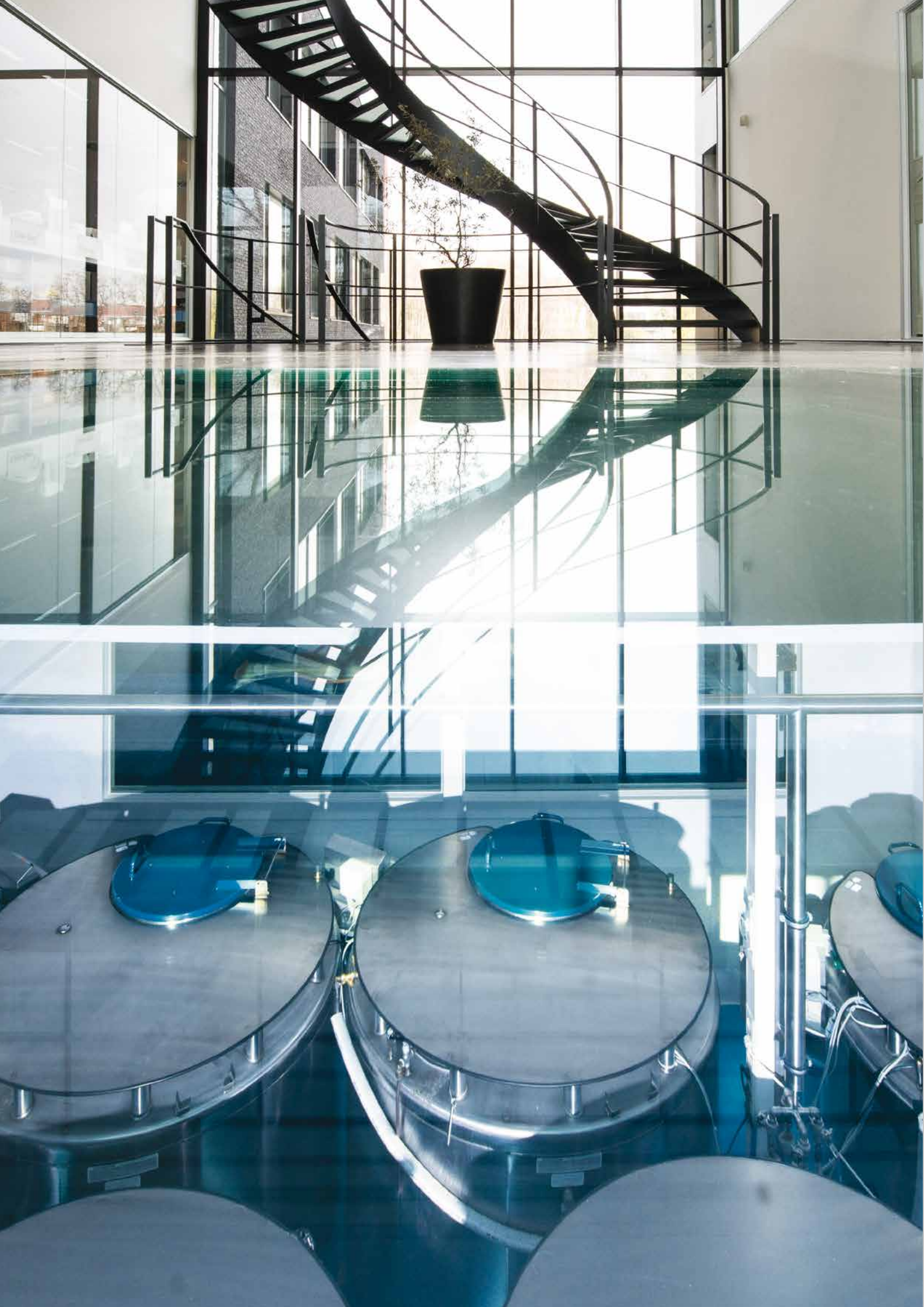
Affordable price for this kind of high tech test.

Competitors

Exclusive technology, no competition.

REALITY Estimated Price Evolution





CryoSave
The Family Stem Cell Bank

CryoSave is the leading international stem cell processing and cryo-conservation Group and the largest family stem cell bank in Europe, fully accredited as a Licensed Organ & Tissue Establishment for the collection, analysis, processing and cryopreservation of human adult stem cells from umbilical cord blood and cord tissue.

During the first semester, the integration of our acquisitions of Salveo Biotechnology S.A.'s assets provided additional capacity and facilities in Geneva allowing us to reallocate resources and activities, enhancing our operational excellence levels across the Group. This allowed us to initiate the process of centralising all European cord blood and cord tissue processing and storage activities in our State-of-the-Art facility in Geneva, Switzerland.

The acquision of the Salveo brand allowed for a strategic dual branding in Italy, Spain, Switzerland, Greece and South Africa.

The number of successful releases for therapies, the high quality standards in our State-of-the-Art labs and our close proximity to our customers make CryoSave unique and confirm our role as the leading international family stem cell bank for now and for the future

The integration of laboratories, processes and resources resulted in important cost reductions and had a positive impact on the results during the 2nd half of the year. We further extended and expanded our activities in existing and new territories. In this context, we regained presence in Portugal through a joint venture with CBB Group Sarl, the operator of the Portuguese leading Criobaby stem cell banking activities.

The 2nd pillar of our growth has been based on an organic development supported by a new and more proactive sales approach, leveraging our strong team of more than 170 sales representatives together with our strong network of 25,000 gynecologists and 6,000 hospitals and clinics. These B2B activities have been additionally strengthened by a new communication strategy directly targeted at end clients.

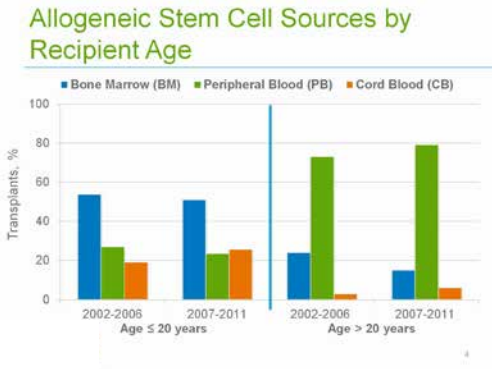
We have launched the new innovative and improved Natality collection kit. Apart from the upgrade in design and appearance there are additional improvements and changes to improve the quality of the stored umbilical cord blood and cord tissue sample.

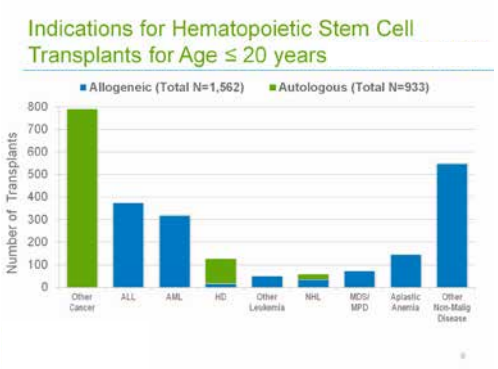
Natality

Target:

Any Pregnancy
Market size: 4 million newborns in Europe
Target Market: 30% of pregnant women
Market potential: from 2% to 6% of the entire market size

Only 15-20% of European pregnant women are aware of the importance of cryopreservation of cord blood and cord tissue derived stem cells.



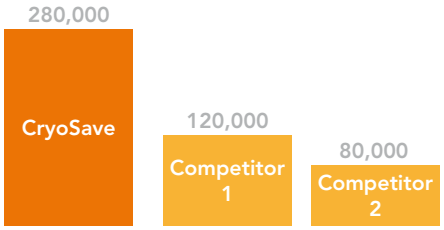


Key Selling Points:

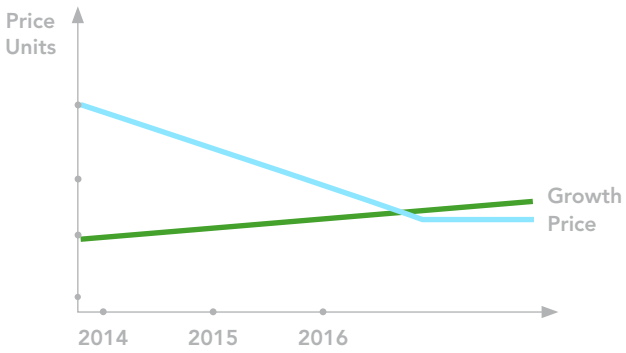
- Ultra modern lab processing and storage facilities in 6 countries: Switzerland, The Netherlands, Belgium, Portugal, Dubai, South Africa
- Over 280,000 samples already stored
- Presence in more than 40 countries
- Highest level of Accreditation: FAGG, AABB, NetCord Fact, GMP, ISO
- Dual Storage approach
- R&D strongly active though The Cell Factory
- More than 6,000 clinic partners and 170 sales representatives
- 17 samples already released for therapeutic purposes

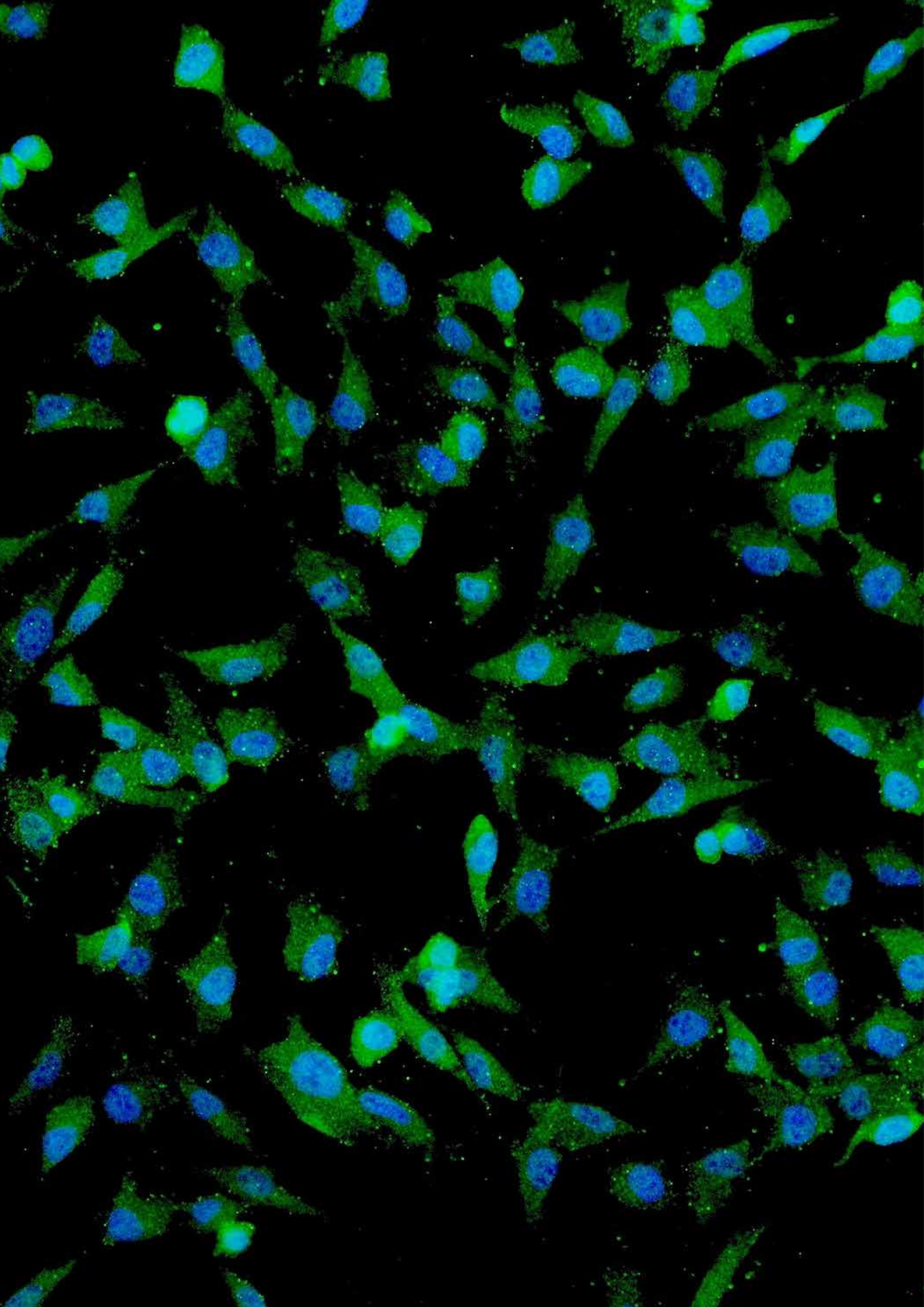
Competitors

Three main players in Europe: Sample stored



NATALITY Estimated Price and Sales Evolution





The Cell Factory

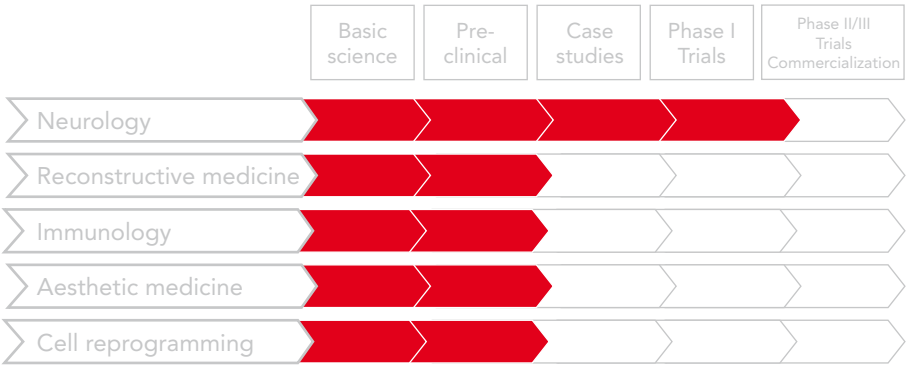
The Cell Factory, ESPERITE's R&D Division, leads the expansion for clinical translation, commercialization of advanced cell therapy medicinal products, and development of new therapies in the field of regenerative medicine. Key activities include:

Product and process development activities to support ESPERITE's bio-banking cord blood and cord tissue stem cells business, including quality control, process improvement, and validation projects.

Our own proprietary new technology for clinical grade production of autologous mesenchymal and stromal stem cells (MSC) is currently translating into a clinical trial to prove its safety and efficacy in different therapies and clinical applications worldwide

Proof-of-concept R&D projects for translation of the most promising developments in regenerative medicine from bench to the bedside.

Regenerative medicine translational projects include the implementation of the GLP and GMP compliant procedures and laboratories for preclinical development and clinical grade bioproduction, respectively. Also, the implementation of the GMP compliant bioproduction process of IMP (ATMP), the MSCs derived from frozen autologous cord tissue samples.



Our collaborations with leading academic, clinical and biotech partners on the development of new regenerative medicine products and services include projects with Ospedale Pediatrico Bambino Gesù, Rome (Vatican), Italy, and the Hospital Niño Jesús, Madrid, Spain (leading a multicentre clinical trial for investigation of new treatment of Cerebral Palsy).

BUSINESS REVIEW

INDUSTRY overview Genomics

In 2014 ESPERITE has opened a new chapter in its operations by engaging in the field of genomics and proteomics through its Group GENOMA.

Making a multimillion investment in the Next Generation Sequencing platform from Life Technologies, Genoma has developed a largest clinical diagnostics platform in Europe. This platform enables the highest throughput of samples and ensures the quality of the results.

Genomics is a discipline of genetics that applies DNA sequencing methods and bioinformatics to analyse the functions of genomes.

Virtually every human ailment has some basis in our genes. Until recently, doctors were able to take the study of genes, or genetics, into consideration only in cases of birth defects and a limited set of other diseases. These were conditions, such as sickle cell anemia, which have very simple, predictable inheritance patterns because each is caused by a change in a single gene. Research in the genetic field has generated vast amounts of data on the DNA, and have enabled the development of tools which can study numerous genetic factors complexly affecting the health of individuals. The diseases span from congenital to cancer.

Ultimately, it appears inevitable that treatments will be tailored to a patient's particular genomic makeup. Thus, the role of genetics in health care is starting to change profoundly and the first examples of the era of genomic medicine are upon us.

Life Technologies Ion Torrent developed a sequencing approach based on standard DNA replication chemistry. This technology measures the release of a hydrogen ion each time a base is incorporated. A microwell found on a chip containing template DNA is flooded with a single nucleotide, if the nucleotide matches the template strand it will be incorporated and a hydrogen ion will be released. This release triggers an ion sensor.

Non-Invasive Prenatal Screening or NIPT which analyzes cell-free fetal DNA circulating in maternal blood, is a new option in the prenatal screening and testing paradigm for trisomy 21 and a other fetal chromosomal aneuploidies. DNA from the fetus circulates in maternal blood. Unlike intact fetal cells in maternal blood, which can persist for years after a pregnancy, circulating cell-free fetal DNA (cffDNA) results from the breakdown of fetal cells (mostly placental) and clears from the maternal system within hours after delivery. Fetal DNA detected during a pregnancy, therefore, represents DNA from the current fetus. Although only about 10-15% of the cell-free DNA circulating in maternal blood is from the fetus, it can be detected and measured. Quantitative differences in chromosome fragments in maternal blood can be used to distinguish fetuses affected with trisomy 21, and other fetal aneuplodies, from those that are not affected.

The testing is non-invasive, involving a maternal blood draw, so the pregnancy is not put at risk for miscarriage or other adverse outcomes associated with invasive testing procedures.

The TRANQUILITY test by Genoma allows for a high detection rate of trisomy 21, 13 and 18 as well as sex chromosome aneuploidies. TRANQUILITY also has the capability of detecting the presence of microdeletions. The test can be performed as early as 10th week of pregnancy. This early screening allows the doctors and patients to coordinate their activities adequately and make sound decisions concerning the pregnancy.

BRCA1 and BRCA2 are human genes that produce tumor suppressor proteins. These proteins help repair damaged DNA and, therefore, play a role in ensuring the stability of the cell's genetic material. When either of these genes is mutated, or altered, such that its protein product is not made or does not function correctly, DNA damage may not be repaired properly. As a result, cells are more likely to develop additional genetic alterations that can lead to cancer.

Breast cancer is the most lethal malignancy in women across the world. Only in 2012 nearly 500,000 women have been registered as breast cancer patients. Breast cancer is the most common cancer in women aged under 40.

Ovarian cancer is the fifth most common cancer in Europe for the female population. Around 65,000 new cases have been diagnosed across the continent.

Specific inherited mutations in BRCA1 and BRCA2 increase the risk of female breast and ovarian cancers, and they have been associated with increased risks of several additional types of cancer. Together, BRCA1 and BRCA2 mutations account for about 20 to 25% of hereditary breast cancers and about 5 to 10% of all breast cancers. In addition, mutations in BRCA1 and BRCA2 account for around 15% of ovarian cancers overall. Breast cancers associated with BRCA1 and BRCA2 mutations tend to develop at younger ages than sporadic breast cancers.

National screening strategies are established with the aim to detect the early onset of cancer, in groups of high-risk patients. SERENITY allows for screening of patients that are both considered to be at higher risk of eventually developing breast and/or ovarian cancer, as well as those that are outside those groups. This allows for the detection of possible unknown patients at risk, thus enabling the patients and their

INDUSTRY overview Genomics

physicians to be proactive in their approach to health.

The quality of the tests performed is ensured by the team of experts that manage the operations of the Genoma laboratory in Geneva, Switzerland.

The purification of DNA is performed using QIAsymphony by Qiagen. A completely closed and robotised system, ensuring the high-quality yield of DNA from samples.

A powerful and sophisticated bioinformatics platform performs the analysis enabling for a very precise and detailed approach.

INDUSTRY overview Stem Cells

THE MANY ROLES OF STEM CELLS

For over 25 years stem cells have been successfully used in therapies, primarily of haematopoetic origin. In recent years thanks to their differentiation potential they have been utilised in a clinical setting to treat disorders outside the haematological applications. Today it is clear that stem cells are present in the human body throughout the life, constantly repairing damages that are caused by activities, environment and other extraneous factors. Aware of this inherent ability of stem cells to treat a disease or injury, medical researchers believe that stem cell treatments have the potential to change the face of human suffering by providing treatments and cures for many currently incurable diseases.

Currently there are already various established stem cell therapies in centres worldwide while nearly 5,000 clinical trials are underway at reputable hospitals and research centers around the globe. This number of trials is proof in itself of the promise and opportunity stem cells hold for the future treatment of unmet clinical needs.

STEM CELLS FROM THE UMBILICAL CORD BLOOD

Umbilical cord blood is a rich source of hematopoietic stem cells and compared to other sources of these cells, cord blood has many unique characteristics that make it an attractive resource for high quality cellular material used in transplantations. The extensive umbilical cord blood collection and use in transplantations over the years has demonstrated that:

- Cord blood can be obtained with ease and without risk to mother or child.
- Cord blood can be successfully cryopreserved with minimal effect on viability or functionality.
- Cord blood, when compared to other sources of stem cells, allows for greater HLA mismatch without a corresponding increase in Graft-versus-Host Disease.
- Cord blood is rich with the cells that have a high proliferative and differentiation potential.
- Cord blood is effective in treatments of numerous haematological malignancies, bone marrow failure, hemoglobinopathies and inborn errors of metabolism.
- Cord blood stem cells carry a lower risk of transmitting viral infections compared to bone marrow transplants.

Cord blood stem cells are capable of producing cells in vivo for long-term repopulation. Following on the success of treatments using cord blood in pediatrics, the research to overcome the cell dose limitations has increased significantly. Researchers and clinicians are now able to multiply isolated stem cells until the needed quantity is obtained. This requires, of course, an optimal freeze thaw procedure if the multiplied cells are to be transplanted successfully at a later stage.

Scientists at CryoSave collaborated on a study to determine under what specific conditions multiplied hematopoietic stem cells should be frozen so that they could be successfully recovered after thawing and used in a transplant later on with a guarantee of quality and a high chance of engraftment. The expansion-freeze-thaw procedure they developed results in sufficient umbilical cord blood stem cells being available for a single transplant, thereby increasing cord blood availability for patients, and reducing the cost of treatment when double unit transplantation is considered.

STEM CELLS FROM THE UMBILICAL CORD

After hematopoietic cord blood stem cells, mesenchymal stem cells from cord tissue are the most widely studied stem cells originating from perinatal tissues. Their advantage over sources such as bone marrow and fat tissue is that they can very easily and safely be collected from cord tissue that is usually discarded following the delivery of the child, thereby avoiding the pain of material collection and the unwelcome risks of sedation. Collection is non-invasive and without risk. It has been scientifically proven that, aging negatively affects the number and potency of mesenchymal stem cell, thus showing that umbilical cord tissue contains the 'youngest', most 'naive' and most potent mesenchymal stem cells.

Additionally, recent research has utilised mesenchymal stem cells in already existent stem cell therapies in order to aid the current transplantation protocols and improve overall outcome of therapy.

These cells have been co-transplanted with haematopietic stem cells in order to decrease the immune response of the host, through their immunomodulatory capabilities, and thus decreasing the likelihood of developing the Graft-vs-Host Disease. Also, mesenchymal stem cells have been used to aid the haematopoietic stem cell expansion, and subsequent utilisation in therapy.

INDUSTRY overview Stem Cells

Regenerative medicine is considered to be one of the most significant advances in medicine, and a future of therapy for many conditions. In parallel several other fields have emerged, the most significant being: tissue engineering, cell therapy and gene therapy – all utilising the various beneficial characteristics of stem cells to bring about the most advanced therapies to patients. The current research is focused on: neonatal neurological disorders, bone and cartilage production and grafting, tissue engineering entire organs, cardiovascular diseases, immune system disorders, acquired hearing loss, autism, to name a few.

Mesenchymal stem cells are widely used in numerous clinical trials today due to their unique functional characteristics:

- Ability to home in on the site of the injury and assist in repair when injected intravenously.
- Ability to differentiate into numerous cells, including fat, cartilage, muscle, bone, and nerve tissue.
- Ability to generate an anti-inflammatory and immune-suppressant environment, an important application for auto-immune disorders and inflammatory stages of numerous diseases.

One's own stem cells or autologous cells offer great advantages over unrelated stem cells and they are therefore increasingly the focus of regenerative medicine.

STORE YOUR STEM CELLS – INSURANCE FOR LIFE

Increasing number of families throughout the world are choosing to store stem cells from the umbilical cord blood and umbilical cord tissue of their newborn children. The collection procedure holds no risk to the mother or the newborn, while being able to provide for subsequent use of the material in therapy. All of the above demonstrates the importance of collection and storage. Over 30,000 cord blood transplants have already been performed worldwide to treat malignant and non-malignant blood and blood related diseases and they have the potential for use within regenerative medicine and tissue engineering.

From the moment of collection the stem cells are the property of the child under the guardianship of the parents. The cells will be safely stored until the child or a family member needs them.

These are the advantages of private storage:

- Sample is immediately available.
- Privately stored stem cells are genetically unique to a child.
- Exact biological match for the child, thus eliminating any risk of rejection of transplant.
- A 25% probability of being a perfect match and a 40% probability of providing a suitable match for transplant use with a sibling.
- Minority populations are drastically underrepresented in transplant registries.

CryoSave is the largest European family stem cell bank, with more than 280,000 samples from umbilical cord blood and cord tissue in its care. It keeps cryopreserved samples from over 70 countries and six continents at modern processing and storage facilities in Switzerland, The Netherlands, Belgium, Portugal, Dubai, and South Africa. CryoSave holds itself to the highest quality standards when it comes to the transportation, preparation and security of your child's stored stem cells. Accreditations such as, AABB, GMP, FAGG and Swiss Medic are a testament to the quality of work and service provided by the bank.

CURRENT STANDARD TREATMENTS

Today, stem cells from bone marrow, mobilised peripheral blood and umbilical cord blood can and have been used to treat several diseases. Adults, according to Eurocord, were treated with blood cord stem cells mainly for acute leukaemia, followed by non-malignant disorders, myelodysplastic disorders, lymphoproliferative disorders and metabolic disorders. The trend seen in previous years continues to be present, where by out of the 35,660 hematopoietic stem cell transplants performed in the centres reporting, 58% were autologous transplants and 42% were allogeneic transplants. Stem cell transplants can already treat a wide variety of blood and bone marrow diseases, blood cancers and immune disorders, and through advanced clinical research the number of treatments is increasing, covering an ever-wider range of applications.

Cord blood is rapidly becoming the preferred stem cell source for cord blood transplants between unrelated persons. In 2000, only 1% of stem cell transplants used stem cells from cord blood. By 2005, their use had increased to 9% and, by 2012, to more than 25% of transplants. This strong growth is due to finding a match easier but also underlines how easily stem cells from cord blood can be isolated, compared to those from bone marrow, for example. In 2000, the main source for stem cells was bone marrow. A major reason for the continued increase in transplants is the steady improvement in transplant outcomes. The results of the American National Marrow Donor Program (NMDP, www.marrow.org) show that survival rates have consistently, and sometimes dramatically, improved over time in each major disease category.

INDUSTRY overview Stem Cells

By the end of 2014, CryoSave was storing over 280,000 samples of stem cells from umbilical cord blood and cord tissue and had released 17 samples of cryopreserved cord blood stem cells to be used for the treatment and diagnostic purposes :

01. Aplastic anaemia, autologous, Germany, 13/01/2004
02. Congenital immunodeficiency, allogeneic related (sibling), Spain, 30/01/2007
03. Subarachnoidal haemorrhage, autologous, Bulgaria, 21/10/2007
04. Medulloblastoma, autologous, Spain, 09/03/2009
05. Acute Lymphoblastic Laeukemia, allogeneic related (sibling), Switzerland, 20/04/2009
06. Cerebral Palsy, autologous, USA/Duke University, 18/05/2009
07. Cerebral Palsy, autologous, USA/Duke University, 07/12/2010
08. Cerebral Palsy, autologous, USA/Duke University, 17/05/2011
09. Cerebral Palsy, autologous, Spain, 09/08/2011
10. Blackfan-Diamond anaemia, allogeneic related (sibling), 02/04/2013
11. Cerebral Palsy, autologous, Spain, 03/07/2013
12. Cerebral Palsy, autologous, USA/Duke University, 09/07/2013
13. Cerebral Pasy, autologous, Spain, 04/12/2013
14. Beta Thalassemia Major, allogeneic related (sibling), USA/Johns Hopkins Hospital , 23/10/2014
15. Diagnostic purpose, Greece, 05/05/2008
16. Diagnostic purpose, Italy, 18/03/2013
17. Diagnostic Purpose, Spain, 26/01/2015

Below are a few examples of successful transplants using stem cells from umbilical cord blood that grabbed the attention of international media:

- Spain – Two genetically selected babies saved their brothers' lives. Recent cases in Seville and Barcelona showed the unique potential of umbilical cord blood transplants to cure serious illnesses such as aplastic anemia and adrenoleukodystrophy, a rare neurological disorder that damages the nervous system.

- US – Cord blood banking saved a Missouri girl's life. The girl was suffering from brain damage caused by a swimming accident that put her in a vegetative state. A year later the girl received a reinfusion of her own cord blood with astonishing results.

- Italy – A two-year old boy was diagnosed with a lifethreatening immune disorder. Thanks to a treatment he received from his sister's umbilical cord, he is now thriving and healthier than ever.

- US – Stem cells helped a boy with cerebral palsy to walk. His parents had decided to store his cord blood stem cells at birth and when, by age two, he still couldn't walk or even crawl, he was given a cord blood stem cell transfusion and is now walking.

- Spain – A four-year-old boy was treated for BlackfanDiamond anaemia (BDA) with a stem cell transplant from his sister's umbilical cord blood, stored with CryoSave. The transplantation was successful, and the child is expected to make a normal recovery.

- Spain – a four-year-old girl in Spain received an infusion of stem cells derived from her own umbilical cord blood for the treatment of her cerebral palsy. The umbilical cord blood stem cells were stored with CryoSave.

- Successful use of umbilical cord blood derived stem cells for treating adults with acute leukaemia.

- Successful autologous umbilical cord blood transplantation in a child with acquired severe aplastic anemia.

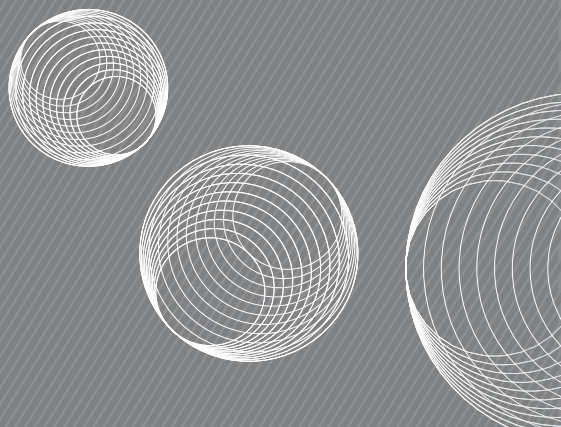
- A successful and improved engraftment of umbilical cord blood demonstrated, when co-transplanted with umbilical cord tissue derived mesenchymal stem cells.

- Umbilical cord derived mesenchymal stem cells demonstrate positive long-term results in a pre-clinical neonatal model of hyperoxic lung injury.

- Umbilical cord blood stem cells help angiogenesis in spinal cord injury, enhancing recovery.

- Umbilical cord blood derived stem cells demonstrated as a viable option for genetic therapy of Diabetes Mellitus Type 1.

- Nanotechnology proves to be a valuable asset in umbilical cord blood derived stem cell expansion.



CLINICAL TRIALS AND PROMISING RESEARCH PROJECTS

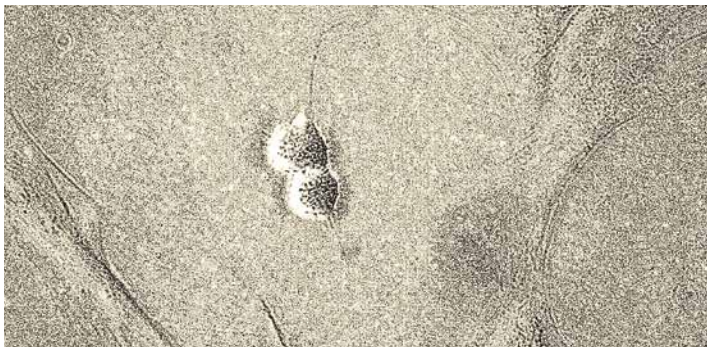
Beyond the current approved applications of cord blood transplants, clinical trials are under way to improve outcomes for these transplants and to develop new applications. The ClinicalTrials.gov site is a registry of all clinical trials, conducted publicly or privately, in the US and the rest of the world. It lists nearly 5,000 trials involving stem cells, with 323 of these involving umbilical cord blood stem cells and 88 of these involving cord tissue stem cells (search 'cord blood stem cells' and 'cord tissue stem cells' at Clinicaltrials.gov; February 2015). Over 203 studies are currently recruiting patients. The majority of the trials are in phase II. Most of them deal with life threatening diseases for which cord blood stem cells are believed to make a difference. Several deal with diseases of the central nervous system, such as cerebral palsy, and brain and spinal cord injuries. Other conditions being studied include hearing loss, hypoxic-ischemic encephalopathy, ALS, auto-immune diseases (such as juvenile arthritis, rheumatoid arthritis, scleroderma and lupus), Crohn's disease, diabetes 1 and autism.

Most of the current research involves autologous hematopoietic stem cell transplants but several clinical trials are also underway with mesenchymal stem cells from cord blood. CryoSave is sponsoring a clinical trial in Madrid, Spain with the aim to pioneer a new therapeutic approach to treat Cerebral Palsy. This clinical trial aims to demonstrate safety and preliminary efficacy of sequential intravenous infusion of the ex vivo expanded mesenchymal stem cells (MSC) derived from cord tissue and the cord blood stem cells. The study will use, for the first time in clinical research, autologous MSC derived from cryopreserved cord tissue. The clinical trial, sponsored by CryoSave, will be performed in collaboration with Professor Manuel Ramírez Orellana, the Principal Investigator, and Professor Luis Madero, the Clinical Supervisor from the University Hospital Niño Jesus in Madrid, Spain.

Other diseases have the potential to be cured with stem cell transplants. There are some trials now in the experimental phase for HIV, Parkinson's, Alzheimer's and Duchenne muscular dystrophy. Additional trials are focused on overcoming the problems associated with the limited amount of therapeutic stem cells recovered from cord blood. They include double cord-blood transplants, grafts using amplified cord blood samples, intra-bone grafts and direct-transfusions with mesenchymal stem cells.

ORGAN AND TISSUE REPAIR

Beyond the current and accepted applications of cord blood stem cells, among hematopoietic stem cell grafts, cord blood has emerged as holding great potential in cell therapy and regenerative medicine. Regenerative medicine seeks to repair or replace damaged tissues or organs, with the goal of fully restoring structure and function without the formation of scar tissue. Cell-based therapies are promising new therapeutic approaches in regenerative medicine. By using mesenchymal stem cells, good results have been reported for bone engineering in a number of clinical studies, most of them investigator-initiated trials with limited scope in terms of controls and outcome. With the implementation of a new regulatory framework for advanced therapeutic medicinal products, the stage is now set to improve both the characterization of the cells and combination products, and pave the way for improved, controlled and well designed clinical trials. Mesenchymal cells have been shown to be the primary source for endochondral (from cartilage) bone formation, and as such are ideal for bone repair. Recent studies have shown that a combination of angiogenic and osteogenic factors can stimulate bone healing and regeneration. Therefore the ability to deliver both growth factors locally from biodegradable scaffolds could enhance bone repair conditions.



Despite recent studies suggesting that the heart has intrinsic mechanisms of self-regeneration following a myocardial infarction, it cannot regenerate itself to an optimal level. However, a clinical trial is underway in the United States, utilising the intrinsic mechanisms of mesenchymal stem cells to induce regeneration of cardiac muscle by stimulating cardiac muscles own stem cells to repopulate the damaged tissue.

Mesenchymal stem cells are currently being investigated for the regeneration of mesenchyme-derived tissues, such as bone, cartilage and tendon.

BUSINESS Review

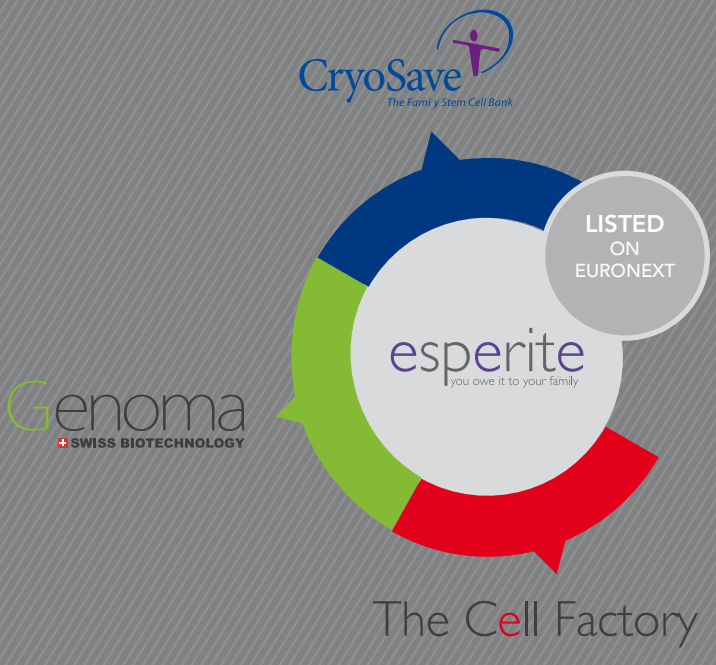
OUR BUSINESS MODEL

CryoSave has been the leading international stem cell storage Group and the largest family stem cell bank in Europe since its foundation in 2000.

In May 2014 we changed the name of our holding Group from CryoSave Group N.V. to ESPERITE N.V. This paved the way for a major change in our strategic direction. We implemented an innovative growth and expansion strategy, entering the fields of predictive medicine and translational regenerative medicine R&D. Three separate and distinct business units have been created to support the refocus and restructuring of our operations.

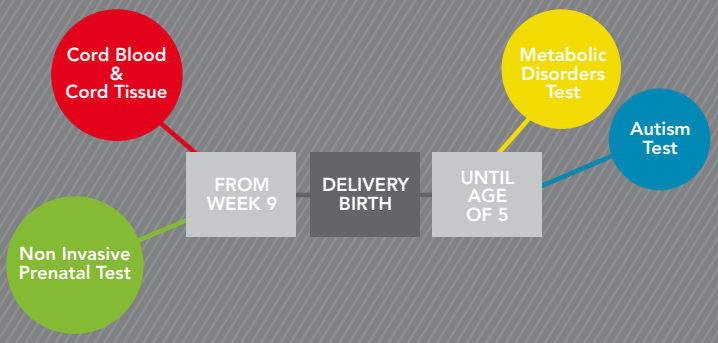
Our existing cord blood and tissue cryopreservation activities have been continued under the name CryoSave. Via our business unit The Cell Factory we have launched research and development activities in the field of translational regenerative medicine. The newly created business unit Genoma allows us to enter in the field of proteomics and genomics predictive medicine.

GRAPHIC 1 – ESPERITE Structure



Our large international network of sales is targeting pregnant women through a strongly established team of sales reps and agent. The principle is to increase the potential of sales by widening our scope and increasing the time lapse of our target groups, offering services for pregnant women as of their 9th week of pregnancy until the time when the child reaches 5 years of age. Beyond this we will target the entire population with innovative tests like BRCA 1 & BRCA 2.

GRAPHIC 2 – Time line from 11 weeks pregnant to ....



HIGHLIGHTS 2014

Frederic Amar, who was appointed CEO of ESPERITE in March 2014, has been implementing from the onset an aggressive reorganization and development of the Group. Frederic Amar's far-reaching new business model has materialized in three separate synergetic business units attacking new markets with a diversified offer, transforming a mono-product business model into a biotech multiservice Group. ESPERITE's consolidated operations feature now reduced complexity, sustainable lower overhead, centralized administrative services, integrated sales and marketing strategies coupled with the technology to handle large volumes efficiently. The financial results for year ended 31 December 2014 reflect these improvements.

ESPERITE closed 2014 with an underlying EBITDA of -€0.56 mio., a hefty result considering the investments to set up and position Genoma in the genomics and proteomics fast-growing market. Further investments also strengthened CryoSave. Despite the 7% negative growth on revenues (€27.6 mio.: -€2.2 mio. vs 2013), mainly due to a temporary interruption of cord tissue exports from Spain, the processing & cryopreservation business unit reached a positive underlying EBITDA of €0.53 mio.

The Group has achieved a positive client intake trend in 2014, compared to the decline initiated in 2011 in stem cell cryopreservation. Over 17,600 new clients have bestowed their long-term trust in ESPERITE, signaling strong support to the Group's new approach and confirming the capacity of ESPERITE's network and sales force to generate new business, also under challenging market conditions.

The underlying operating expenses dropped to €17.7 mio., a reduction in excess of €0.9 mio. compared to 2013, following the appointment of Mr. Amar as CEO and his determination to ensure competitive costs structures. This commitment will continue to yield results throughout 2015 in terms of further costs reductions.

BUSINESS Review

BUSINESS STRUCTURE AND MILESTONES

ESPERITE obtained a secondary listing on Euronext Paris to optimize the benefits derived from being a listed Group. ESPERITE is fully committed to the transparency, quality and timeliness of its public communications, and to the development of the Group for the benefit of its Shareholders. The secondary listing on Euronext Paris strengthens ESPERITE position in the life sciences sector with its three divisions: Genoma, CryoSave, and The Cell Factory.

GENOMA wants to become the European leader of proteomics and genetic predictive medicine, and underscores ESPERITE's strategic positioning in fast-growing markets with very dynamic development potential. From its onset in May 2014, Genoma is developing highly profitable products and has assembled the best technology and leading scientists in genetic analysis, diagnostic tests and consultancy to build a unique portfolio of exclusive new-generation genetic tests.

Genoma committed to a multimillion investment to establish in Geneva the largest clinical genetic center in Europe: a highly efficient NGS platform able to handle large volumes efficiently with Ion Proton and Ion Chef genetic sequencing devices. This will be completed with cloud-connected NGS satellite sequencing platforms in the countries where ESPERITE operates. The choice of Thermo Fisher Life Technologies has proven to be the right investment decision. Even more so with its fully-validated Proton 2 (P2) chip which immediately increases Genoma's platform capacity by a factor of 3 to 4 at no additional cost, throughput will well exceed the 150,000 samples per year, for an even larger ROI.

These strategic investments, sufficient for the upcoming 2 years, enable Genoma to capitalize on the unprecedented market opportunities with its product offer. Noteworthy developments in Genoma's advanced pipeline of risk-free, convenient and accurate genetic tests:

TRANQUILITY, the Non-Invasive Prenatal Test that detects fetal chromosomal abnormalities through a single blood draw from the mother, was launched later in Q4 as the first genetic test of the newborn Genoma division. This pilot phase has registered up to now over 2,000 units sold almost exclusively in Italy and Spain– in the short period of time that it has been available on the market. The initial launch was carried out without intensive marketing and was very limited geographically.

SERENITY is the most-advanced gene sequencing test for early detection of breast and ovarian cancer genetic predisposition. Dr. Thomas Rio Frio PhD, Genoma's Genomics Manager, brought his expertise and extensive experience in human genetics and oncology into the development and validation of SERENITY, the genetic test that screens for deleterious mutations in the entire BRCA1 and BRCA2 genes. Early detection and precise identification of the mutation are vital in fighting breast and ovarian cancer, enabling effective preventive action and personalized treatment best-suited for the specific mutation identified. SERENITY has been thoroughly tested in the market with customers and doctors in five countries, confirming its market potential with very positive prospects. Genoma's world-class experts and the NGS high-performance platform in Geneva together with the powerful bioinformatics ensure the most reliable and thorough results to the customers. SERENITY's full commercialization by the end of May is a key milestone for Genoma.

REALITY is a genetic test that detects predisposition of children to autism. Genoma entered into an exclusive distribution agreement with IntegraGen for the worldwide (U.S.-excepted) distribution of this test. REALITY provides parents and physicians the key genetic information to tackle autism through early intervention, fostering a proactive and responsible approach towards doing what is best for the child.

PIPELINE
Two main products will be announced in 2015 in addition to the above three: an oncology genetic test and a genetic screening test for a major metabolic pathology. Both tests represent important milestones in the field of preventive and predictive medicine.

Frederic Amar's first priority to master the technology for commercial leadership fuels continuous innovation in the development of Genoma's own diagnostic tests.

Genoma is in the lookout for disruptive technologies to offer the best products to the market with the most advanced features as new technological and scientific developments become available.

CryoSave, the leader in stem cell processing & cryo-conservation and the largest fully-accredited family stem cell bank in Europe with over 280,000 samples stored, revamped its structures and operations in 2014. This included the reorganization of the sales force, integration of acquired businesses, workforce adjustments, integration of laboratories and processes automatization.

In Q1, the acquisition of the commercial activities of Salveo Biotechnology S.A. was completed with the integration of the sales forces. Salveo's dynamic and professional commercial network and strong presence in Italy allowed for a dual brand strategy and, as a result, ESPERITE doubled the new client intake to hold both first and second position simultaneously in this key market. Dual branding supported growth also in Spain, Greece and Switzerland. Through this acquisition, Portugal and Ukraine also became active markets. This integration set the grounds for the centralization of all back-office functions and ensuing resources reallocation.
The acquisition (May 2014) from Salveo Biotechnology S.A. and related integration of its Swiss private laboratory specialized in stem cells cryopreservation, cell culture and

regenerative medicine activities, were successfully completed during 2014. This strategic transaction, whose acquisition price was supported by a fairness opinion of Duff & Phelps, has strengthened CryoSave's market leader position in the European stem cell market.

Efforts in the second semester of 2014 to align the entire European sales force and partners at the country level resulted in strong and efficient sales activity. Extensive training ensured high scientific and commercial proficiency in the sales force to commercialize all the new products and services with a unified approach.

Accomplishments in 2014 include the fully fledged center of excellence assembled in Switzerland, unified accreditations, highly-automatized processes and standard operating procedures, the integration of laboratories for a major processing platform with increased storage capacity and the laboratories in Niel and Geneva acting as reciprocal back-up stem cells cryopreservation facilities, innovative improvements in the collection process and the Natality kit as well as workforce rationalization. As a result, CryoSave provides now enhanced services at reduced costs ensuring the sustainability of its stem cell business model. Benefits of these gained efficiencies will be tangible already in 2015 and 2016.

The Cell Factory, the R&D division led by Dr. Marcin Jurga PhD, at the heart of the value chain, between stem cells cryopreservation and the existing and future regenerative medicine treatments mainly focused on autologous applications of stem cells. The Cell Factory plays a key role in research for the development of new medical treatments in partnership with medical research center, public universities and private partners.

In 2014, The Cell Factory implemented successfully a total of 10 preclinical projects. The Cell Factory is pioneering the first treatment worldwide of Cerebral Palsy using two types of stem cells projecting ESPERITE's CryoSave as the only private cord blood bank sponsoring clinical trials of this caliber. Clinical developments will raise awareness about the benefits of cryopreservation and will have an impact on sales.

OPERATIONAL EFFICIENCY, HEADCOUNT REDUCTION

In parallel to the above developments, ESPERITE is reducing headcount as part of its intensified program to improve operational efficiency and consolidate operations, reducing complexity and achieving more competitive cost structures.

The plan underway has enhanced efficiency across the group by further developing controllable and highly integrated processes. The restructuring is reducing the global workforce, downsizing top management, cutting administrative layers and overhead in addition to other cost reductions. ESPERITE's robust processes ensure now higher quality, better cycle time and sustainable lower overhead. The 2014 year-end financial report reflects this effort recording substantially lower operational costs. This commitment will continue to yield results throughout 2015 in terms of further cost reductions.

FINANCIAL review

Key financials for 2014

The underlying 2014 numbers are adjusted for non-recurring costs concerning:

- Severance costs: €0.4 mio. (2013: €0.6 mio.)
- Non-cash impairment of goodwill and other assets: €1.2 mio. (2013: €0.7 mio.)
- Other: nil (2013: -€0.2 mio.)

	2014 €m	2013 €m
Revenue	27.6	29.8
Gross profit	17.2	19.2
Underlying marketing and sales expenses	8.9	8.0
Underlying research and development expenses	0.2	0.3
Underlying general and administrative expenses[1]	8.7	10.4
Underlying EBITDA	-0.6	0.5
Underlying depreciation	1.1	1.2
Underlying amortisation[2]	0.4	0.3
Underlying EBITA	-2.1	-1.0

1 General and administrative expenses do not include depreciation and amortisation.
2 Amortisation does not include amortisation of identified intangible assets as a result of acquisitions.

Revenue

Group revenue decreased by €2.2 mio. to €27.6 mio., largely due to declining volumes in Spain and Hungary.

The number of new cord blood samples stored for the year 2014 amounted to 15,600 (2013: 16,800), whilst the number of new cord tissue samples stored was 9,900 (2013: 12,100) due to a temporary interruption of cord tissue exports from Spain, resulting in 25,500 new samples stored in 2014 (2013: 28,900).

End 2014, Genoma has been introduced in our main countries and realized revenue amounted to €0.6 mio.

Geographical information

In presenting information on the basis of geographical information, revenue per country is based on the geographical location of the customers. Non-current assets, other then financial instruments and deferred tax assets are based on the geographical location of the assets.

	Revenue		Non-current assets	
€ in millions	2014 €m	2013 €m	2014 €m	2013 €m
Spain	6.4	8.8	0.1	0.1
Italy	5.9	3.7	0	0.1
Hungary	2.2	3.0	0.5	0.5
Other countries	13.1	14.3	30.0	30.7
Total	27.6	29.8	30.6	31.4

Gross profit and gross profit margin

Gross profit decreased to €17.2 mio. (2013: €19.2 mio.). The gross profit margin decreased by 2.3 percentage points to 62.2%. The improved country and price mix enhanced the gross profit margin by 1.8 percentage point. The decrease of collection costs and laboratory consumables (2.1 percentage points), could not fully offset the increased costs of mainly third laboratories (testing and processing), higher transport expenses due to lower volume and higher sales commission (6.2 percentage points).

Underlying operating expenses

	2014 €m	2013 €m
Marketing and sales expenses	8.9	8.0
Research and development expenses	0.2	0.3
General and administrative expenses	8.7	10.4
Total	17.8	18.7

Underlying operating expenses decreased by €0.9 mio., mainly due to the stringent cost savings.

The increase in underlying marketing and sales expenses by €0.9 mio. was mainly due to the acquisition of sales staff of Salveo Biotechnology S.A. and investments in the new services of Genoma.

Underlying general and administrative expenses decreased by €1.7 mio. The decrease, on balance €0.3 mio., was mainly due to headcount reduction in overhead, partly offset by the increase of acquired staff of Salveo Biotechnology.

Underlying EBITA and operating profit

Underlying EBITA amounted to -€2.1 mio. (2013: -€1.0 mio.). Volume decline affected the gross profit by €2.4 mio. The improved country and price mix positively impacted the gross profit by €0.3 mio.

Underlying operating expenses decreased by €0.9 mio., mainly due to stringent cost savings, partly offset by investments in Genoma and further professionalization of the group underlying depreciation was €1.1 mio. (2013: €1.2 mio.), and underlying amortisation excluding the amortization

FINANCIAL review

of identified intangible assets as a result of acquisitions amounted to €0.4 mio. (2013: €0.3 mio.).

Underlying operating result amounted to -€3.4 mio. (2013: -€2.3 mio.).

Net finance cost/income

Net finance cost of €0.3 mio. increased compared to 2013 (nil), mainly due to the Euronext Paris listing, adjustment of deferred consideration to the former owners of CryoSave Serbia and an increased volume of electronic bank transfers.

Underlying result before taxation

The underlying result before taxation amounted to -€3.8 mio. (2013: -€2.3 mio.).

Underlying result for the period

The underlying result after taxation was -€3.3 mio. (2013 -€2.4 mio.).

Cash flow

Net cash from operating activities was -€4.5 mio. (2013: €0.2 mio.). The decrease was mainly a result of the lower operational result for the year and the increase of the current trade and other receivables.

Investments in property, plant and equipment of €1.1 mio. mainly relate to laboratory equipment. Investments in intangible assets (€0.7 mio.) mainly related to software.

As at 31 December 2014, ESPERITE had a cash position of €2.1 mio. (31 December 2013: €8.6 mio.).

Consolidated balance sheet

	2014 €m	2013 €m	Variance €m
Total non-current assets	32.5	32,6	(0.1)
Total current assets	14.3	18.7	(4.4)
Total equity	21.3	26.8	(5.5)
Total non-current liabilities	16.8	15.3	1.5
Total current liabilities	8.8	9.2	(0.4)

Total non-current assets

The variance in non-current assets is on balance -€0.1. The asset acquisition of the processing and storage facility in Switzerland and related ICT equipment increased the total non-current assets by €2.1 mio. An increase of in non-current trade receivables mainly relate to the acquired Salveo commercial business (€0.5 mio.). Furthermore, an amount of €1.2 mio. has been impaired which relate to goodwill and (in) tangible assets. Together with the regular amortization and some variances, the balance of the variance is nil.

Total current assets

Current trade and other receivables increased by €2.1 mio. mainly due to an increase in instalment plans offered to customers. The cash and cash equivalents decreased by €6.5 mio. due to lower volume and the acquisition of the commercial assets and (mainly) processing and storage facility in Switzerland.
Cash ended at €2.1 mio. (2013: €8.6 mio.).

Total equity

Total equity decreased by €5.5 mio. to €21.3 mio., mainly due to the loss for the period of €5.0 mio. As a result of the acquisition of Salveo Biotechnology S.A., a convertible loan bond was granted, which resulted in a positive equity movement of €0.2 mio., more than offset by currency translation differences (€0.5 mio.) and the measurement (losses) on defined benefit plans (€0.2 mio.).

Total non-current liabilities

Total non-current liabilities of €16.8 mio. at 31 December 2014 (31 December 2013: €15.3 mio.) contained, amongst others, deferred revenue, amounting to €11.1 mio. (2013: €10.6 mio.), that matches the fair value of the estimated costs of the remaining storage period including a profit margin. The movement from €10.6 mio. at 31 December 2013 to €11.1 mio. at 31 December 2014 is the balance of additions to deferred revenue due to the storage of new samples in 2014 less the release to the income statement for the storage during 2014.

In May 2014, the Group acquired the processing and storage facility of Salveo Biotechnology S.A. One of the conditions was a convertible loan bond, which has been classified as non-current borrowings.

In 2009, the Group entered into a 15-year financial sale and lease back agreement of €4.3 mio. for its processing and storage facility in Niel, Belgium with ING Lease Belgium N.V., of which €2.8 mio. is recognised as a non-current borrowing (2013: €3.0 mio.).

Total current liabilities

Total current liabilities decreased by €0.4 mio. from €9.2 mio. to €8.8 mio. at 31 December 2014. The decrease was mainly caused by the paid out deferred considerations of €1.5 mio. to Salveo Biotechnology S.A., offset by stretched working capital management (€0.7 mio.).

Frederic Amar

Chief Executive Officer

30 April 2015


10
5

GOVERNANCE

CHAIRMAN'S statement

I was appointed Chairman of the Board in October 2014 following Walter van Pottelberge's resignation as Chairman of the Board and Non-Executive Board member at the end of June 2014. Walter played a very important role within the company. I want to thank him for his contribution to our Group as Board member as well as Chairman of CryoSave's Board of Directors and wish him every success in his future.

The turbulences of 2013 started to calm down at the beginning of 2014 when the newly composed Board of Directors began to make a strong impact to the strategic direction of the company. The appointment of Frederic Amar as Executive Director and Chief Executive Officer in March 2014 brought the long desired cultural revolution and DNA change for our Group. I have been particularly pleased with his appointment. Frederic has a proven track record of success; his deep understanding of the fast-evolving markets in which we operate, particularly in terms of technological innovation, has transformed our business model.

In the 1st quarter of 2014, the acquisition of the commercial activities of Salveo Biotechnology S.A. was completed with the integration of the sales forces. Salveo's dynamic and professional commercial network and strong presence in Italy allowed for a dual brand strategy and, as a result, ESPERITE doubled the new client intake to hold both first and second position simultaneously in this key market. Dual branding supported growth also in Spain, Greece and Switzerland.

Then in May 2014 we acquired the Swiss laboratory assets related to cord blood and cord tissue processing and storage of Salveo Biotechnology S.A. This transaction supported the strategic redirection of our Group in order to build a strong center of excellence and competence in Switzerland. We were provided with additional capacity and facilities in Geneva, allowing us to reallocate resources and activities, and to increase the level of operational excellence. This has set the grounds for a centralisation of all back-office activities. The start of this new era has been substantiated by the transformation of CryoSave into ESPERITE, the secondary listing of our Group on Euronext in Paris and the launch and implementation of an innovative growth and expansion strategy.

Our existing cord blood and tissue cryopreservation activities have been continued under the name CryoSave. Additionally, our Group has started up research and development activities in the field of translational regenerative medicine, via the business unit The Cell Factory. We have furthermore entered into proteomics and genomics predictive medicine and to that extent have created the new business unit Genoma. The three business units are now sucessfully operating as separate brands and businesses.

Together with my non-executive colleagues, we are convinced that under Frederic's leadership and strategic vision the Group will prosper and develop its full potential, thus delivering high value to our Shareholders.

On behalf of the entire Board, I would like to extend my sincere thanks to the employees whose efforts helped us achieve so much in 2014 as we lay the foundations for market leadership. The success of the company is down to the skills, 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.

Gert-Jan van der Marel
Non-Executive Director, Chairman of the Board

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

CryoSave 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 Hospital Niño Jesús, Madrid, Spain; Ospedale Pediatrico Bambino Gesù, Rome (Vatican), Italy; Faculty Medicine and Surgery, University of Verona, Verona, Italy; Antwerp University and FlandersBIO, Belgium; University of Leuven, Belgium; Artesis Plantijn Hogeschool Antwerpen, Belgium; Ghent Universiteit, Belgium; and, Vilnius University, Lithuania.

NO embryonic stem cells

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

Social media

Within its restrictions a publicly listed Group, ESPERITE is an active participant in various social media, such as Facebook, Twitter, YouTube 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

Clean energies

Our laboratory in Niel, Belgium uses solar panels to generate electricity which were integrated in the roof of the building during construction. The solar panels provide enough power for the building without relying on any other resources, reducing both costs and the generation of pollution. The solar panels operate silently, have no moving parts, and don't release offensive smells. It doesn't contribute to acid rain, global warming or smog.

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. This also includes the Group's annual report, which is only available in electronic form via: **www.esperite.com**.

BOARD of Directors

Frederic Amar (French, 50)
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, 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 Marseilles.

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 (Dutch, 66)
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 a partner of Bakkenist Management Consultants.

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

BOARD of Directors

Ronald Lorijn (Dutch, 64)
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 Pepscan Therapeutics and nLife. Previously, Dr. Lorijn was Chief Executive of AMT N.V. (Amsterdam), having developed AMT from a small, one-product operation into a leading gene therapy Group listed on Euronext. He retired from AMT in February 2009. Prior to AMT, 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/gynaecologist before joining the biotech industry.

REMUNERATION report

Selection, Appointment and Remuneration Committee

The Selection, Appointment and Remuneration Committee consists 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 Director's 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 Directors remuneration as adopted by the General Meeting on 5 October 2009 are to align individual and Group performance and enhance long-term commitment 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 Directors' 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 ten 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 2014 Executive Directors

Fixed and variable compensation and other considerations for the Executive Director in 2014 are detailed in Note 38 of the Financial Statements. The Executive Director was granted a sign-on bonus begin 2014 as agreed with the Selection, Appointment and Remuneration Committee. As the financial objectives were not met, no (regular) bonus has been granted in relation to the financial year 2014. Furthermore, no share options were granted.

Remuneration 2015 Executive Directors

The remuneration of the CEO F. Amar for 2015 exists of a base salary of € 297 thousand (CHF 330 thousand). The bonus arrangement will be up to a maximum of 160% of the base salary when quantitative as well as qualitative targets are met. Furthermore the CEO will obtain 20% company stock options available in the 2015 stock option pool when quantitative targets are met. The remuneration for 2015 has been agreed with the Selection, Appointment and Remuneration Committee.
Mr. Amar is a substantial Shareholder in the Group.

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 5 October 2009 the General Meeting determined that as of 1 January 2009 the annual remuneration of Non-Executive Directors is as follows:

- €30.000 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 2014 Non-Executive Directors

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

Directors' service agreements

The terms and conditions of the service agreements with the Non-Executive Directors did not change in 2014.

Walter van Pottelberge, Non-Executive Director, stepped down as Chairman of the Board as of 30 June 2014 as he had to limit his board memberships pursuant to Belgian banking legislation.

The main terms and conditions are summarised below.

R.H.W. Lorijn

R.H.W. Lorijn has been reappointed as a Non-Executive Director at the extraordinary General Meeting on 21 November 2013. His current term expires on the date on the annual General Meeting of 2015. R.H.W. 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 R.H.W. Lorijn three months' notice. R.H.W. Lorijn is remunerated as per the remuneration determined by the General Meeting on 5 October 2009.

REMUNERATION report

G.J. van der Marel

G.J. van der Marel has been appointed as a Non-Executive Director at the extraordinary General Meeting on 21 November 2013. His current term expires on the date of the annual General Meeting of 2015. G.J. 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 G.J. van der Marel three months' notice. G.J. van der Marel is remunerated as per the remuneration determined by the General Meeting on 5 October 2009.

Share Option Schemes

The Group has two share option schemes, the 2007 Share Option Scheme and the 2009 Share Option Scheme and all options currently outstanding were granted under the 2007 and 2009 Share Option Scheme. No options have been granted for the years 2014 and 2013.

2009 Share Option Scheme

The 2009 Share Option Scheme was adopted by the General Meeting of Shareholders on 5 October 2009, as of which moment all option grants have been made under the 2009 Share Option Scheme.

All employees and Executives and Non-Executives who are nominated by the Board of Directors are eligible to participate in the 2009 Share Option Scheme, as are certain third parties selected by the Board of Directors. The main characteristics of the 2009 Share Option Scheme are set out below.

The Selection, Appointment and Remuneration Committee shall determine the number of shares to be included in an option. The amount payable for each share in the event of the option being exercised shall be the option price.

The number of shares in respect of which options may be granted under the 2009 Share Option Scheme on any date of grant when added to the aggregate number of ordinary shares shall not exceed 5% of the number of shares in issue immediately prior to such date of grant, and is defined as follows:

- the number of shares comprised in remaining options;
- the number of shares which have been issued on the exercise of options; and
- the number of shares which have been or may be issued on the exercise of options granted during the period of ten years ending on the date of grant under any other option scheme approved by the General Meeting.

An option may not be exercised later than the day before the 10th anniversary of the date that the same was granted 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 date the same was granted except by reason of some specific circumstances (injury, ill health, disability, death, redundancy) or at the discretion of the Selection, Appointment and Remuneration Committee for any other reason.

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.

2007 Share Option Scheme

The 2007 Share Option Scheme was established on 30 October 2007. Since the implementation of the 2009 Share Option Scheme, no options have been granted under the 2007 Share Option Plan. The terms of the 2007 Share Option Plan are materially the same as the terms of the 2009 Share Option Plan, the main difference being that the 2007 Share Option Plan does not provide in the possibility of the Selection, Appointment and Remuneration Committee adjusting the number of options granted, as set out above in relation to the 2009 Share Option Plan.

Senior management remuneration

Senior management remuneration consists of a base salary, a variable bonus and share options. The variable bonus is based on the achievement of specific financial and nonfinancial objective targets that are linked to creating value for Shareholders. Senior management participates in the same share option scheme as the Executive Directors.

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

30 April 2015

RISK management

Risk management and control systems

ESPERITE N.V. ('The Group') with its 3 business units, CryoSave, Genoma and The Cell Factory operates in a highly regulated environment.

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.

The Group complies with all these 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 matters of a general, financial, operational or other nature, at the earliest opportunity and in an appropriate way.

Beside the above mentioned appropriate control systems for its core operations, 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

Strategic risks

Broadening of products and services

To reduce the Group's dependency on stem cell cryopreservation by implementation of an innovative growth and expansion strategy, the Group has decided to enter the fields of predictive medicine and translational regenerative medicine R&D, and to create three separate and distinct business units to support the refocus and restructuring of its operations. The implantation and execution of this new strategy will require significant resources and investment, and it cannot be assured that the Group will be able to successfully do so.

Acquisition risks

The Group may make acquisitions in circumstances where it believes that such acquisitions would support its strategy. However, there can be no assurances that the Group will be able to identify, complete and integrate suitable acquisitions successfully. Acquiring new businesses can place significant strain on management, employees, systems and resources. The acquired businesses may not perform in line with expectations to justify the expense of acquisition. Furthermore, it may not prove possible to achieve the desired level of synergy benefits on integration of new businesses and/or the cost of achieving those benefits may exceed the expected cost.

RISK management

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 invest in business in new markets. Although the Group will only invest in new businesses on the basis of a thorough market analysis, these new businesses 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.

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.

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. If it faces material delays in introducing new services or improvements, the Group may be put at a competitive disadvantage.

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 safetey and quality of its services.

Whilst there is broad market acceptance for the Group's stem cell cryopreservation services, this is currently less the case for the new businesses the Group is entering into.

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.

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 a more powerful brand.

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.

RISK management

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. Whilst the Group has acquired most of the distributors in those territories from which the majority of its revenue is derived, there can be no assurance that the Group will continue to have successful business relationships with its distributors or that existing customer levels in those territories will be sustained. 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.

Dependance 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 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.

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.

Reliance on Biosafe AG (CH)

The Group's is reliant on Biosafe AG for the supply of equipment and disposables (processing kits) for cord blood samples. The Group is and will continue to be reliant on Biosafe AG for the successful commercialisation of the services it provides for cord blood. There can be no assurance that Biosafe AG will continue to produce the equipment or processing kits or that the Group will be able to ensure a continued processing kit supply at current prices beyond the term of the relevant contract. In order to mitigate this reliance on Biosafe AG, the Group carries a one month stock of processing kits and has validated an equipment and processing kit manufactured by an alternative qualified supplier that can be implemented on relatively short notice. However, the Group will remain reliant on third parties for equipment and processing kits manufacture and their ability to procure their manufacture in a manner which is timely, cost-effective and meets regulatory requirements.

Reliance on agency and distribution partners

The Group's strategy is to use agency and distribution partners to assist in commercialising the services the Group provides in a number of markets. Therefore, the Group is, and will continue to be, reliant on third parties for the successful commercialisation of its services. There can be no assurance that the Group will be able to retain its existing partners or to secure new partners or that, once secured, such partners will continue to commit the necessary efforts and resources to achieve commercial success. The Group's ability to penetrate the markets that they serve is highly dependent upon the level of customer service provided by its agency and distribution partners, which may change from time to time, and over which the Group does not have control.

Reliance on other third parties

The Group's strategy is to focus on its core activities, and to preferentially outsource non-core activities to appropriately accredited third parties. For example, viral safety testing is currently outsourced to an ISO EN 15189 accredited facility in Germany. Although 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.

The Group has entered into, and may in the future enter into, research and development collaborations with third party organisations such as universities and other academic institutions. If these parties do not successfully carry out their contractual or regulatory obligations, the Group's research may be unsuccessful and the Group may be unable to develop and commercialise any service derived from the research. In addition, the research and development may be extended or delayed or be more costly than originally planned.

In addition, the Group is reliant on key contracts and business relationships to achieve its growth as planned. The Group is also reliant on third parties to provide essential contracting services. While the Group has no reason to believe otherwise, there can be no assurance that these business relationships

will continue to be maintained or that new ones will be successfully formed. A breach or disruption in these relationships could be detrimental to the Group's future business, operating results and profitability.

Other operational considerations

The Group is subject to numerous other operating risks which include: climatic conditions such as flooding or drought; interruptions to transport, water or power supplies; industrial action or disputes; environmental hazards; and technical failures, fires, explosions and other accidents at a laboratory, cargo terminal, port or related facilities. These risks and hazards could result in damage to, or destruction of samples, properties, processing facilities or storage facilities, may reduce or cause operations to cease at those properties, processing facilities or storage facilities, may result in personal injury, environmental damage, business interruption and possible legal liability and may result in actual processing differing from estimates of processing.

While the Group has insurance covering various types of business interruptions in respect of its operations, such insurance may not fully cover the consequences of such business interruptions and, in particular, may not cover interruptions arising from all types of equipment failure. There can be no assurance that operating risks and the costs associated with them will not adversely affect the Group's results of operations or financial condition. Although the Group maintains insurance, the insurance does not cover every potential risk associated with its operations and meaningful coverage at reasonable rates is not obtainable for certain types of environmental hazards. In particular, the Group has no insurance coverage in relation to lost or damaged samples. The occurrence of a significant adverse event, the risks of which are not or not fully covered by insurance, could have a material adverse effect on the Group's results of operation or financial condition.

COMPLIANCE RISKS

Developments in regulatory laws

The Groups'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 licences and authorisations 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.

Litigation risks

Legal proceedings may arise in the course of the Group's business. The Group cannot preclude the possibility of litigation being brought against it. Claimants may be able to devote substantially greater financial resources in relation to any litigation proceedings and the Group may not succeed in defending any claims brought against them. Any such litigation, whether or not determined in its favour or settled by the Group, could be costly and may divert the efforts and attention of the Group's management and other personnel from normal business operations.

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, licences, licence 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.

RISK management

Euronext Amsterdam and Paris

The Group is listed on Euronext Amsterdam and Paris. The Group claims to be compliant with the Financial Markets Supervision Act, Decree on transparency, Market Abuse Decree, Decree on the Disclosure of Major Holdings and Capital Interests in Issuing institutions, Book 2 of the Dutch Civil Code, Financial Reporting Supervision Act, Dutch Corporate Governance Code, Decree on Corporate Governance, Decree on article 10 Takeover Directive, Decree on public bids, Prospectus Regulation and Euronext Rules: Book I and II, and notices. Although the Group continues to monitor adherence to those important Dutch laws and rules applicable to companies listed on Euronext Amsterdam and Paris as well as to certain important on-going obligations and disclosure requirements, any non-compliance may have an adverse effect on the Group .

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 is not engaged in any activity with embryonic stem cells. Public perception does not always make a clear distinction between adult and embryonic stem cells.

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 may 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 licence 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.

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.

Environmental, health and safety regulations

The Group's operations, including its facilities, are subject to environmental and safety laws and regulations, including those governing the use of hazardous materials. The cost of compliance with these and similar future regulations could be substantial. Although the Group believes that its procedures comply with applicable regulations, the risk of accidental contamination or injury from such materials cannot be eliminated. In the event of an incident, the resulting liabilities could have an adverse impact on the Group. Similarly, many of the Group's suppliers, collaborators and customers are subject to similar laws and regulations. Contravention of these laws and regulations by such groups could have an adverse impact on the Group.

Although compliance with these laws, regulations and permits have not had a material adverse effect on the Group's results of operations or financial condition to date, such laws and regulations are subject to change and the Group is unable to predict the ultimate cost of compliance. Such costs could result in price increases for the Group's services which could in turn have an adverse effect on its revenues. There can be no assurance that the cost of complying with present or future laws or regulations will not adversely affect the Group's results of operations or financial condition.

The possibility exists that new legislation or regulations may be adopted that may materially adversely affect the Group's operations, its cost structure or its customers' ability to use the commodities in which the Group specialises. New legislation or regulations may also require the Group to change operations significantly or incur increased costs which could have an adverse effect on its results of operations or financial condition.

FINANCIAL RISKS

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.

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.

General economic conditions

Market conditions, particularly those affecting healthcare companies, may affect the ultimate value of the share price regardless of operating performance. Market perception of healthcare companies may change which could have an impact on the value of investors' holdings and impact on the Group's ability to raise further funds by an issue of further shares or by borrowing. Given the international nature of its business, the Group is subject to a number of political, regulatory and trade risks, including:

- restrictions on the repatriation of capital, in particular regulations relating to transfer pricing and withholding taxes on payments made by subsidiaries and joint ventures;
- unexpected regulatory reforms;
- customs duties, export controls and other trade barriers;
- longer account receivable payment cycles and difficulties in collecting accounts receivable in certain countries;
- limited legal protection of intellectual property rights in certain countries; and
- social and political instability (in particular strikes and work stoppages).

The Group cannot guarantee that it will be able to manage these risks, many of which are outside its control, or that it will be able to ensure compliance with applicable regulations without incurring additional costs.

RISK management

In addition, there are a number of macroeconomic factors and local political and economic risks that could affect future demand and/or the Group's ability to complete existing projects or convert potential prospects into binding commitments. These include the current or a general future downturn in the world economies, possible interest rate rises, and increases in inflation in the economies within which the Group trades. The Group could also be affected by unforeseen events beyond its control, including, natural disasters, climatic extremities around the world, terrorist attacks and political unrest and/or government legislation or policy.

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.

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.

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.

Raising of future funds and growth

The Group will consider all options available to it in relation to the funding of its envisaged future expansion. If further issues of equity are considered to be the most suitable means of raising funds, the newly issued shares may reduce the percentage of ownership of the then current Shareholders and may also have rights that are senior to those of such Shareholders. Furthermore, there are no assurances that this funding will in fact be available or that it will be available on terms favourable to Shareholders. If the Group wishes to use borrowings to make future investments, there can be no certainty that it will be able to put in place debt facilities on acceptable terms or indeed at all. The use of further borrowings would increase the Group's exposure to capital risk and interest costs. Where the associated interest costs prove to be greater than income and gains earned on investments made using these borrowings, the Group's revenue could be adversely affected and may even result in erosion of capital.

Share concentration

Mr. Frederic Amar, the Group's Chief Executive Officer holds 29.43 % of the shares as of December 31, 2014. 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.

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.

Exercise pre-emptive rights

In the event of an increase in the Group's share capital, Shareholders 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-

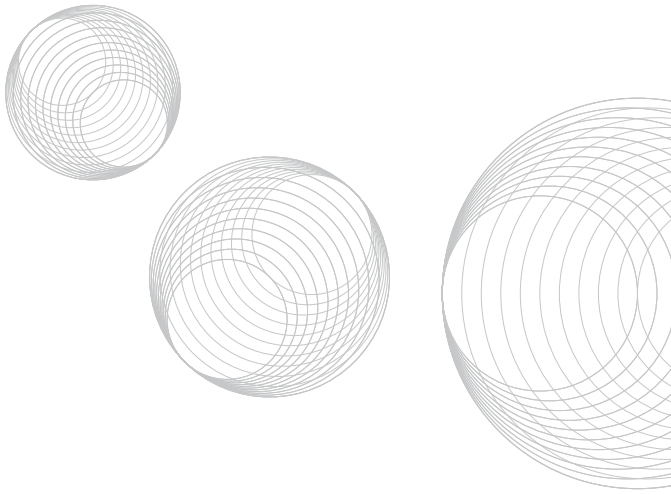
emption rights. As a result, Shareholders with registered addresses in such jurisdictions, including the United States, may experience dilution of their ownership and voting interests in the Group's share capital.

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.

Dividends

The Group's ability to pay distributions to Shareholders will depend to a degree on the earnings and cash flow of its subsidiaries and their ability to pay distributions and to transfer funds to the Group. Other contractual and legal restrictions could also limit the Group's ability to obtain cash from its subsidiaries. If there are changes to accounting standards or to the interpretation of accounting standards, this could have an adverse impact on the Group's ability to pay dividends.

Its right to participate in any distribution of the Group's subsidiaries' assets upon their liquidation, reorganisation or insolvency would generally be subject to prior claims of the subsidiaries' creditors, including lenders and trade creditors.



CORPORATE governance

Introduction

ESPERITE N.V. (previously known as CryoSave Group N.V.) is a limited liability company ('naamloze vennootschap') incorporated under Dutch law, with its corporate seat at Piet Heinstraat 11a, 7204 JN, Zutphen, The Netherlands. The telephone number of the principal place of business is +31 575 548 998. The statutory seat is at Zutphen, The Netherlands. The Group is registered with the Chamber of Commerce of East-Netherlands under number 27187482.

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 listing, the Dutch Corporate Governance Code is applicable to the Group.

Dutch Corporate Governance Code

This section regards the Group's corporate governance statement and contains the information regarding corporate governance pursuant to the Dutch governmental decree of 23 December 2004 establishing further instructions concerning the content of the annual report (Besluit 23 december 2004 tot vaststelling van nadere voorschriften omtrent de inhoud van het jaarverslag, Staatsblad 2004, 747) as amended in April 2009 (Staatsblad 2009, 154) and in December 2009 (Staatsblad 2009, 545). This statement is deemed to form part of ESPERITE N.V.s Annual Report 2014.

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-recognised 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.

- In view of best practice provision III.1.7, the Board has developed a toolkit which will assist the Board members in their self- assessment going forward.

- Although the Board currently includes only two Non-Executive Directors, the Board has maintained its Audit Committee and Selection, Appointment and Remuneration Committee. However, due to the limited number of Non-Executive Board members, the Group does not comply with best practice III.5.6, which requires that the chairman of the audit committee should not be the same as the chairman of the Board.

- The Board currently does not have the retirement schedule referred to in best practice rule III.3.6 and the term of the current Non-Executives Directors terminates simultaneously. The Board intends to take this best practice rule in account in relation to the Non-Executive Directors appointments going forward.

- Best practice provision IV.1.1 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.

- Presently 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 IV.3.1 is not applied. The Group will investigate the possibilities of creating such a facility in due course. Journalists and analysts do have the possibility to attend press conferences via conference call.

- In view of best practice provision IV.3.11, 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 V.3.1 through V.3.3 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 and/or holders of depositary interests 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 (including holders of the rights conferred by law upon holders of depositary interests issued for shares) who individually or jointly represent at least 3% of the issued capital, or hold shares or depositary interests representing a value of at least €50 mio., 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 2014, 8 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) 29.43% of the Group's shares. Adequate procedures are in place which safeguard that Mr. Amar acts in the interests of the Group, and will 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 two 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**.

Non-Executive Directors

The Non-Executive Directors supervise the policies pursued by the Executive Directors. Strategic decisions are always discussed by the Executive Directors with the Non-Executive Directors. The main strategic issues discussed in depth and frequently with the Non-Executive Directors in 2014 were the new strategy pursuant to which the Group entered the fields of predictive medicine R&D and translational regenerative medicine and created the three business units, CryoSave, Genoma and The Cell Factory, the related refocus and restructuring of the Group's operations and cost saving programs, cash, working capital management, potential acquisitions and new business 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 (Chairman of the Audit Committee) and Ronal H.W. Lorijn and 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, 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 2 times during 2014. One of the meetings was with the auditor, at that meeting were no executive directors present.

Selection, Appointment and Remuneration Committee

The Selection, Appointment and Remuneration Committee consist 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 2 regular meetings in 2014.

Diversity

There are currently no women on the Board of Directors. The Company consequently does not officially fulfil the requirement for a balanced distribution of seats (30% male/female). Selection of members of the Board of Directors will continue to be based on broad experience, background, skills, knowledge and insights, with due regard for the importance of a balanced composition.

Auditors

In the Extraordinary General Meeting of Shareholders ('EGM') of 18 December 2014, the appointment of KPMG Accountants N.V. for the year 2014 was withdrawn. In the same EGM, Ernst & Young Accountants LLP was appointed for a period of one year from that date. 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 2014.

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 have 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 II.3.2, II.3.4, III.6.1 and III.6.3. There were no material related party transactions between the Group and its Executive and Non-Executive Directors, other than disclosed in note 39.

The Group complied with best practice provision III.6.4 and confirms that there were no material transactions between the Group and any Shareholders holding at least 10% of the issued shares, other than disclosed 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). ESPERITE's issued share capital amounts to 9,802,222 ordinary shares, each with a nominal value of ten euro cents (€ 0.10). 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"

CORPORATE governance

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".

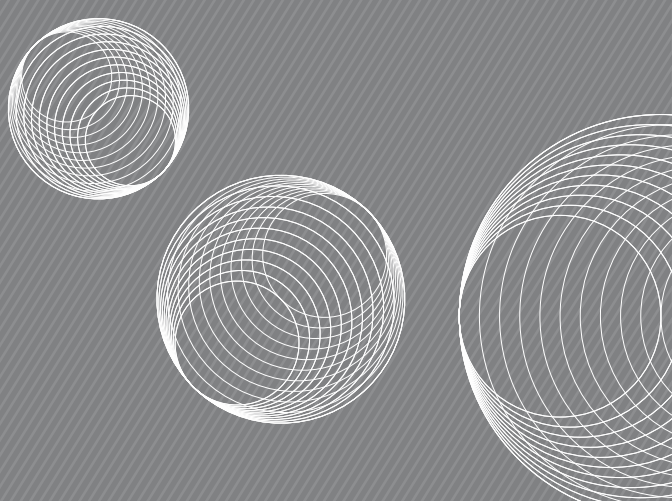
On 14 May 2014, the Annual General Meeting of Shareholders (the 2014 AGM) granted the Board of Directors (a) the power to issue shares and grant rights to subscribe for shares in the share capital of the company up to a maximum number of 15 % of the issued share capital as at the date of the 2014 AGM; and (b) the power to restrict or exclude the pre-emptive rights in connection with such issue of shares or grant of rights to subscribe for shares, each for a period of 18 months from the date of the 2014 AGM and therefore until 14 November 2015. The Board of Directors has not been mandated by the shareholders to acquire shares in the company.

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 Group's financial statements. The responsibility of the Executive Director includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Executive Director is also responsible for the preparation of the Report of the Board of Directors that is included in this 2014 Annual Report. The Annual Report is prepared in accordance with Part 9 of Book 2 of The Netherlands Civil Code.

In the Annual Report, the Executive Director endeavours to present a fair review of the situation of the business at balance sheet date and of the state of affairs in the year under review. Such an overview 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 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 II.1.5 of the 2008 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 as regards financial reporting risks provide a reasonable assurance that the Group's financial reporting does not contain any errors of material importance; the Group's risk management and control systems as regards financial reporting risks are considered effective; 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 2014 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.

Frederic Amar,
Chief Executive Officer, ESPERITE N.V.

30 April 2015

FINANCIAL STATEMENTS

CONSOLIDATED statement of income

for the year ended 31 December in thousands of euros

	Note	2014	2013
			Restated*
Revenue	9	27,610	29,814
Cost of sales	10	(10,436)	(10,592)
Gross profit		17,174	19,222
Marketing and sales expenses	11	9,050	8,204
Research and development expenses	12	237	289
General and administrative expenses			
– Impairment of goodwill and other assets	13	1,230	741
– Other general and administrative expenses	13	11,762	13,442
Total operating expenses		22,279	22,676
Operating result		(5,105)	(3,454)
Finance income	16	456	819
Finance costs	17	(759)	(824)
Net finance (costs)/income		(303)	(5)
Results relating to equity-accounted investees		(67)	(23)
Result before taxation		(5,475)	(3,482)
Income tax expense	18	(470)	31
Result for the year		(5,005)	(3,513)
Attributable to:			
– Equity holders of the Group		(5,014)	(3,513)
– Non-controlling interest		9	–
Result for the year		(5,005)	(3,513)
Earnings per share (in euro cents)	19		
– Basic earnings per share		(51,5)	(37,9)
– Diluted earnings per share		(51,5)	(37,9)

* Certain amounts shown here do not correspond to the 2013 financial statements and reflect adjustments made, refer to Note 2e.

CONSOLIDATED statement of comprehensive income

for the year ended 31 December in thousands of euros

	2014	2013
		Restated*
Result for the year	(5,005)	(3,513)
Other comprehensive income		
Remeasurement gains (losses) on defined benefit plans	(209)	–
Foreign currency translation differences**	(457)	(38)
Other comprehensive income for the year	(666)	(38)
Total comprehensive income for the year	(5,671)	(3,551)
Attributable to:		
– Equity holders of the Group	(5,680)	(3,551)
– Non-controlling interest	9	–
Total comprehensive income for the year	(5,671)	(3,551)

* Certain amounts shown here do not correspond to the 2013 financial statements and reflect adjustments made, refer to Note 2e.
** item that is or may be reclassified to consolidated statement of income.

CONSOLIDATED statement of financial position

at end of year, before allocation of result in thousands of euros

	Note	2014	2013
			Restated*
Assets			
Intangible assets	20	20,190	22,754
Property, plant and equipment	21	10,382	8,644
Investments in equity-accounted investees	23	58	29
Deferred tax assets	24	578	390
Trade and other receivables	25	1,290	751
Total non-current assets		32,498	32,568
Inventories	26	441	519
Trade and other receivables	27	11,605	9,478
Current tax assets	28	145	130
Cash and cash equivalents	29	2,097	8,557
Total current assets		14,288	18,684
Total assets		46,786	51,252

*Certain amounts shown here do not correpond to the 2013 financial statements and reflect adjustements made, refer to Note 2e.

CONSOLIDATED statement of financial position

at end of year, before allocation of result in thousands of euros

	Note	2014	2013
			Restated*
Equity			
Issued share capital	30	973	973
Share premium reserve		38,364	38,169
Legal reserve		256	253
Revaluation reserve		174	274
Translation reserve		(1,906)	(1,449)
Retained earnings		(16,583)	(11,451)
Equity attributable to equity holders of the Group		21,278	26,769
Non-controlling interest		13	–
Total equity		21,291	26,769
Liabilities			
Borrowings	31	4,008	3,003
Provision for negative equity investees	23	97	–
Deferred revenue	32	11,080	10,568
Net employee defined benefit liabilities	33	224	–
Deferred tax liabilities	24	1,203	1,582
Other liabilities		124	127
Total non-current liabilities		16,736	15,280
Borrowings	31	213	202
Trade and other payables	35	7,543	6,630
Deferred revenue	32	923	867
Deferred considerations	34	–	1,460
Current tax liabilities	36	80	43
Total current liabilities		8,759	9,203
Total liabilities		25,495	24,483
Total equity and liabilities		46,786	51,252

*Certain amounts shown here do not correpond to the 2013 financial statements and reflect adjustements made, refer to Note 2e.

CONSOLIDATED statement of changes in equity

in thousands of euros

	Issued share capital	Share premium reserve	Legal reserve	Revaluation reserve	Translation reserve	Treasury shares	Retained earnings	Equity attributable to equity holders of the Group	Non controlling interests	Total equity
At 1 January 2013	973	38,169	185	374	(1,411)	(2,423)	(6,037)	29,830	–	29,830
Exchange differences on translating foreign operations					(38)			(38)		(38)
Other comprehensive income					(38)			(38)		(38)
Result for the year							(3,513)	(3,513)		(3,513)
Comprehensive income for the year					(38)		(3,513)	(3,551)		(3,551)
Repurchased shares						(284)		(284)		(284)
Re-issued shares						2,707	(1,925)	782		782
Utilization of revaluation reserve				(100)			100	0		0
Other movements			68				(76)	(8)		(8)
At 31 December 2013	973	38,169	253	274	(1,449)	–	(11,451)	26,769	–	26,769
Exchange differences on translating foreign operations					(457)			(457)		(457)
Remeasurement gains (losses) on defined benefit plans							(209)	(209)		(209)
Other comprehensive income					(457)		(209)	(666)		(666)
Result for the year							(5,014)	(5,014)	9	(5,005)
Comprehensive income for the year					(457)		(5,223)	(5,680)	9	(5,671)
Share based payments							(9)	(9)		(9)
Convertible loan bond		195						195		195
Utilization of revaluation reserve				(100)			100	–		–
Other movements			3					3	4	7
At 31 December 2014	973	38,364	256	174	(1,906)	–	(16,583)	21,278	13	21,291

CONSOLIDATED statement of cash flows

for the year ended 31 December in thousands of euros

	Note	2014	2013
			Restated*
Cash flows from operating activities			
Result for the year		(5,005)	(3,513)
Adjustments for:			
Income tax expense	18	(470)	31
Finance costs	17	759	824
Finance income	16	(456)	(819)
(Gain) ,/loss on sale of disposals of PP&E		12	60
Depreciation and amortization	15	2,885	2,810
Impairment loss on tangible assets	15	152	741
Impairment loss on goodwill	15	99	–
Impairment loss on intangible assets	15	979	–
Share based payment transactions		(9)	–
Results relating to equity-accounted investees		67	22
		(987)	156
Movements in working capital			
(Increase)/decrease in (non) current trade and other receivables		(2,601)	(20)
(Increase)/decrease in inventories		77	937
(Increase)/decrease in current tax assets		(64)	682
Increase/(decrease) in (non) current liabilities		405	(685)
Increase/(decrease) in current tax liabilities		241	(21)
Net cash from operations		(2,929)	1,049
Interest paid		(613)	(660)
Interest received		356	316
Income taxes paid/received		118	(549)
Net cash from operating activities		(3,068)	156

*Certain amounts shown here do not correspond to the 2013 financial statements and reflect adjustements made, refer to Note 2e.

CONSOLIDATED statement of cash flows continued

for the year ended 31 December in thousands of euros

	Note	2014	2013
			Restated*
Cash flows from investing activities			
Proceeds from sale Indian operations		–	86
Proceeds from sale French building		–	2,279
Purchase of property, plant and equipment through acquisitions		(700)	–
Purchase of property, plant and equipment	21	(421)	(375)
Purchase of intangible assets	20	(653)	(272)
Disposals of non-current assets		77	134
Net cash (used in)/generated by investing activities		(1,697)	1,852
Cash flows from financing activities			
Repurchase of own shares		–	(284)
Payment deferred consideration	7	(1,450)	–
Redemption of borrowings		(208)	(208)
Net cash generated by/(used in) financing activities		(1,658)	(492)
Net increase/(decrease) in cash and cash equivalents		(6,423)	1,516
Cash and cash equivalents at 1 January		8,557	7,081
Exchange differences on cash and cash equivalents		(37)	(40)
Cash and cash equivalents at 31 December	29	2,097	8,557

* Certain amounts shown here do not correspond to the 2013 financial statements and reflect adjustments made, refer to Note 2e.

NOTES to the consolidated financial statements

for the year ended 31 December in thousands of euros

1. Reporting entity

ESPERITE N.V. ('the Group') is a public Group incorporated under the laws of The Netherlands. The address of its registered office and principal place of business is Piet Heinstraat 11A, 7204 JN Zutphen, The Netherlands.

The consolidated financial statements of the Group as at and for the year ended 31 December 2014 comprise the Group 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 principal activity is the collection, processing and storage of human adult stem cells collected from the umbilical cord blood, and the umbilical cord itself, at birth.

Genoma is the Group's second business unit active in the fields of proteomics and genomic predictive medicine. This business has been introduced end 2014.

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

As provided in section 402 of The Netherlands Civil Code, Book 2, the income statement of ESPERITE N.V. includes only the after-tax results of subsidiaries and other income after tax, as ESPERITE N.V.'s figures are included in the consolidated financial statements.

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 per 31 December 2014, 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 2014. They also comply with the financial reporting requirements included in Section 9 of Book 2 of The Netherlands Civil Code, as far as applicable.

The consolidated financial statements were authorized for issue by the Board of Directors on 30 April 2015. The financial statements as presented in this report are subject to adoption by the Annual General Meeting of Shareholders, to be held on 17 June 2015.

b. Going concern assumption

In the annual General Meeting of Shareholders mid May 2014, the Company announced its vision and strategy for 2014 onwards. The new business model has materialized in three separate synergetic business units attacking new markets with a diversified offer, transforming a mono-product business model into a biotech multiservice company. The three distinct business units are (i) CryoSave, (ii) Genoma and (iii) The Cell Factory.

The business unit **CryoSave** suffered the last years of macro-economic headwinds in the main countries of its operations, fierce competition, price pressure and temporary regulatory blocks in several countries. The decrease of volume affected the occupancy rate in the processing and storage facilities and as a consequence increased the costs per sample. Together with the relatively high operational expenses, this adverse affected the financial performance of CryoSave.

In order to stop the declining trend and stabilize its performance, the Company, amongst other, performed two acquisitions in 2014, which allows the Company to market dual branding via its Salveo brand name, next to the CryoSave brand name in several countries. Furthermore, the Company invested in the integration of the businesses in order to create synergies.

The business unit **Genoma** was established in the last quarter of 2014 and offers multiple services. Genoma wants to become the European leader of proteomics and genetic predictive medicine. Genoma is developing highly-profitable products and has assembled the best technology and leading scientists in genetic analysis, diagnostic tests and consultancy to build a unique portfolio of exclusive new-generation genetic tests.

In order to establish the Genoma business units, investments were made in the Swiss processing and storage facility as well in staffing, marketing, design, collaboration agreements et cetera. Management did not expect that the Genoma business was profitable and/or cash generating in 2014.

Following the significant declining trend of the cash position of the Company in 2014, additional information and insights are disclosed in this paragraph to support the going concern assumption as applied in the financial statements for the year ended 2014.

For the Group to operate as a going concern, it is clear that Genoma should bring strong revenue growth and related cash inflows. 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 a slight growth in the stem cell market and a strong growth in proteomics and genetic predictive medicine. Management anticipates a recovery of the profitability in both segments from Q2 2015 onwards.

The Company committed to realize €36 mio. of revenue of which €29 mio. relate to the stem cell business and €7 mio. to Genoma business in 2015. Management has confidence to meet those expectations. This outcome however is

uncertain as a major part of the anticipated revenues are not yet confirmed. We also refer to note 20 in the financial statements on Intangible Assets and impairment testing which describes the impact of the aforementioned uncertainties relating to the strong revenue growth for mainly Genoma on the valuation on Intangible Assets.

Next to the expected revenue growth, the Company will improve its competitor advantage by its intensified program which consists of the items below (not limitative):

- Integration of the laboratories
- Downsize global workforce across CryoSave and laboratories
- Sustainable lower overhead
- Consolidation of operations
- Centralization of administrative services
- Integrate sales and marketing strategies
- Reduce complexity

As per 31 December 2014, the Company had €2.1 million cash and cash equivalents of which €0.8 million was provided as collateral for a bank guarantee. In order to execute on the new strategy of the Company, management acknowledge that the free available cash is not sufficient at the moment.

To support its going concern assessment, the board of directors has obtained a funding statement of Salveo Holding S.A. ("Salveo"), a company controlled by Mr. Frederic Amar, in which Salveo has declared that, if during a period of one year after the date of the signing of the 2014 audited consolidated financial statements and of the auditor's report contained therein the Company establishes that it is unable to fund its operations and that other sources of cash income are unavailable, Salveo will be prepared to provide the Company debt and/or equity funding on market terms for an amount up to €2 million. However the timely availability of this funding is still uncertain.

Together with this funding statement, the Company expects to be able to deliver the expected revenue growth and achieve on its strategy and turnaround plan. Furthermore, it expects to be able to redeem the outstanding debts to its main suppliers during 2015. For some suppliers, the Company has agreed payment plans in order to reduce its debt.

Going concern is mainly dependent on meeting budgets and forecasts, especially for the segment Genoma and the timely availability of the support from Salveo. Whether these budgets and forecasts will be achieved is largely dependent on the timely implementation of the measures as described above and the market appetite of the new services offered by Genoma. Notwithstanding the specified uncertainties management is of the opinion though that the application of the going concern assumption for the 2014 financial statements is appropriate, based on the following facts and circumstances:

- Although current revenues are below budget, management still expects sufficient liquidity and guarantee facilities to operate the business without interruption.
- In a scenario that future performance and cash flow developments are less favorable than current business forecasts, management believes the Company has various and sufficient options available to (if successful) address such adverse circumstances.
- These options include but are not limited to renegotiating creditor terms and conditions and attract external financing. As the latter is subject to external factors, it is uncertain if these measures can be implemented timely

c. Functional and presentation currency

These consolidated financial statements are presented in Euro ('€'), which is the Group'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.

d. 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.

e. 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, no significant changes in accounting estimates occur.

Change in accounting policies

The Group applied, for the first time, certain standards and amendments that require restatement of previous financial statements.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 'Interests in Joint Ventures' and SIC-13 'Jointly-controlled Entities – Non-monetary Contributions by Venturers'. IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method.

The application of IFRS 11 has impacted the Group's accounting of its interest in joint venture CryoSave S.A. (Pty) Ltd. (see Note 23). The Group has a 50% interest in joint venture CryoSave S.A. (Pty) Ltd.

Prior to the transition to IFRS 11, joint venture CryoSave S.A. (Pty) Ltd was classified as a jointly controlled entity and the Group's share of the assets, liabilities, revenue, income and expenses was proportionately consolidated in the consolidated financial statements. Upon adoption of IFRS 11, the Group has determined its interest in joint venture CryoSave S.A. (Pty) Ltd to be classified as a joint venture and it is accounted for using the equity method.

The transition has been applied retrospectively as required by IFRS 11 and the comparative information for the immediately preceding period (2013) has been restated. The effect of applying IFRS 11 on the Group's financial statements was as follows:

Impact on consolidated statement of income

	2013
Revenue	(751)
Cost of sales	279
Gross profit	(472)
Operating expense	482
Operating result	10
Net finance (costs)/income	22
Share of result of an associate	(23)
Result before tax	9
Income tax gain	(9)
Result and total comprehensive income for the year	–

The transition did not have any impact on either other comprehensive income for the period or the Group's basic or diluted earnings per share.

Impact on equity

	31 December 2013	1 January 2013
Property, plant & equipment	(163)	(197)
Deferred tax assets	(47)	(44)
Investment in equity-accounted investees	29	64
Total non-current assets	(181)	(177)
Inventories and cash and bank balances (current)	(9)	(19)
Trade and other receivables	(164)	(122)
Cash and cash equivalents	(27)	(7)
Total assets	(381)	(324)
Trade and other payables	(377)	(317)
Current tax liabilities	(4)	(7)
Total liabilities	(381)	(324)
Net impact on equity	–	–

Given the fact that the amounts involved are considered to be not material the company has not presented an adjusted opening balance as per 1 January 2013 on the face of the balance sheet.

Impact on statement of cash flows

	2013
Operating	(39)
Investing	19
Financing	14
Exchange differences on cash and cash equivalents	6
Net increase in cash and cash equivalents	–

f. Reclassifications

No reclassifications have been made.

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 2e, which addresses changes in accounting policies.

Basis of consolidation

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

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 either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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. The fair value of property, plant and equipment acquired in a business combination is based on estimated market values.

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.

Equity-accounted investees

Equity-accounted investees are all entities over which the Group has significant influence but not control over the financial and operating policies. Investments in equity accounted investees are accounted for using the equity method of accounting and are initially recognized at cost.

The Group's investment in equity accounted investees includes goodwill identified on acquisition net of any accumulated impairment losses. Equity accounted investees are recognized from the date on which the Group has significant influence, and recognition ceases from the date the Group has no significant influence over an equity accounted investee. The Group's share of its equity accounted investees post acquisition profits or loss is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

If the Group's share of losses in an equity accounted investee equals or exceeds its interest in the equity accounted investee, including any other long-term interests, the Group discontinues recognizing its share of further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the equity accounted investee. Unrealized gains on transactions between the Group and its equity accounted investees are eliminated to the extent of the Group's interest in the equity accounted investees. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Joint arrangements

Joint arrangements are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. The consolidated financial statements include the Group's proportionate share of the income and expenses of the joint arrangement for the period that the Group has control, whereby the result is determined using the Group´s accounting principles. Loans to joint arrangements are carried at amortized cost less impairment losses.
The results from joint arrangements consist of the Group´s proportionate share in the results of these companies, interest on loans granted to them and the transaction results on divestments of joint arrangements. Unrealized gains and losses arising from transactions with joint arrangements are eliminated to the Group´s interest in the investee.

Join arrangements over which the Group has no control, are recognized as equity accounted investees

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 allocated against the interests of the Group only to the extent that the minority is able to make an additional investment to cover the losses.

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 except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve through the other comprehensive income, and recognized in profit or loss on disposal of the net investment.

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

	Statement of financial position 31 Dec 2014	Statement of income 2014	Statement of financial position 31 Dec 2013	Statement of income 2013
Bulgarian leva	1.96	1,96	1,96	1,96
Hungarian forint	314,97	308,43	296,75	296,71
Indian rupees	n/a	n/a	85,00	77,27
Serbian dinar	121,38	116,98	114,52	113,02
Swiss franc	1,22	1,22	1,23	1,23
South African rand	14,05	14,34	14,52	12,85
United States dollar	1,22	1,33	1,38	1,33

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 interGroup 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 directly.

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. 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

Identified intangible assets on investments in group companies, 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 - unlimited
Customer relationship	3-7 years
Contracts with insurers and distributors	3-9 years
Re-acquired rights	4-5 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	unlimited

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. 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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, net of 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 asset, or, where appropriate, a shorter period.

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 income. 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.

Deferred revenue

Deferred revenue represents the part of the amount invoiced to customers that has not yet met the criteria for revenue recognition. Deferred revenue is recognized at its fair value. 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 plus 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 utilised. 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 utilised. 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, if material. 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.

Deferred consideration

Deferred considerations are based on contracts between ESPERITE N.V. and the former Shareholders of the acquired entity and/or acquired activities, and valued at the net present value using the discounted cash flow method. The unwinding of the discount is recognized in profit or loss as finance costs. Differences between the estimated and actual deferred considerations are recognized in profit or loss as financial result.

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.
Dividends are recognized as a liability upon being declared.

Non-controlling interest

Non-controlling interest is the portion of the profit or loss and net assets attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Group.

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 recognised 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 recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability / (asset). The Group recognises 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 stem cell storage

Revenue in respect of fees charged for stem cell extraction is recognized on the day of extraction. Revenue in respect of fees charged for the subscription of the service is recognized upon enrolment. Revenue earned in respect of stem cell storage is recognized evenly over the storage period, over which time an appropriate margin is also recognized.

Revenue Genoma

Revenue in respect of fees charged for Genoma services is recognized on delivery of the service. No deferred revenue is recognized for the Genoma services.

Revenue other

Other revenue relate to income from other types of products and services than the extraction and storage of stem cells. Revenue from services rendered is recognized in the statement of income in proportion to the percentage of completion of the transaction at reporting date.

Government grants

Government grants are recognized at their fair value when there is a reasonable assurance that the grant will be received and the Group 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, 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 Group by the weighted average number of shares outstanding during the period, excluding the average temporarily repurchased shares. Diluted earnings per share is calculated using the weighted average number of shares, options outstanding during the period and the shares involved in the convertible loan, as far as the exercise price of these options and loan is lower than the share price.

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 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 EBITA (earnings before interest, tax, amortization of identified intangible assets). Management believes this is the most relevant measure in evaluating the operating results of the segments.

Segment capital expenditure is the total expenses incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale or distribution within the next 12 months rather than through continuing use.

Immediately before classification as held-for-sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's other accounting policies. The assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit and loss. Once classified as held-for-sale, assets are no longer amortized or depreciated.

4. Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Goodwill

An impairment test of goodwill is carried out 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 depends 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.

Useful life and impairment of property, plant and equipment

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of useful lives and residual values involves management's estimation. The Group assesses annually the residual value and the useful life of its property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the period when the estimate is changed and in future periods.

The Group assesses regularly whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgment and estimates.

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 20 or 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 statement of income and balance sheet. Should additional taxes be assessed these could have a material effect on the Group's results or financial position.

Defined benefit plans (pension benefits)

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about pension obligations are given in note 33.

5. Application of new or revised International Financial Reporting Standards

The IASB and IFRIC have issued new standards, amendments to existing standards and interpretations, some of which are not yet effective or have not been endorsed by the European Union. The Group has introduced standards and interpretations that became effective in 2014 or were early adopted.

The following new or amended standards were applied for the first time in 2014.
IFRS 10, 'Consolidated Financial Statements', establishes a single control model that applies to all entities, including special purpose entities. ESPERITE has determined which entities meet the new criteria for control and therefore have to be consolidated. The new standard did not have a material impact on The Group's financial position or performance.

IFRS 11, 'Joint Arrangements', removed the option to apply proportionate consolidation for joint ventures and mandates the use of the equity method for jointly controlled entities that meet the new definition of a joint venture. The introduction of this new standard significantly changed The group's financial position and reported performance because the equity method replaced proportionate consolidation for joint ventures. Information on joint ventures that are affected is provided in note 2e: Interests in joint ventures. The standard was applied retrospectively.

IFRS 12, 'Disclosure of Interests in Other Entities', provides disclosure requirements with respect to interests in subsidiaries, joint arrangements, associates and structured entities. It is the complement of the two new standards discussed in the preceding paragraphs and has been applied for the first time in 2014.

Amendments to IAS 32, 'Offsetting Financial Assets and Financial Liabilities'

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

Amendments to IAS 36. 'Impairment of Assets - Recoverable Amount Disclosures for Non-financial Assets'

These amendments clarify the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 'Impairment of Assets' was originally changed as a consequence of IFRS 13 'Fair Value Measurement', the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. However, as written, an entity was required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendments. The standard was applied retrospectively.

No new or amended standards were adopted early and applied in 2014.

IFRS accounting standards adopted as from 2015 and onwards

The following standards and amendments to existing standards have been published and are mandatory for the Group beginning on or after 1 January 2015 or later periods, but the Group has not early adopted them:

IFRS 14, 'Regulatory Deferral Accounts', establishes requirements for accounting by entities that are subject to rate regulation. The new standard is effective for annual reporting periods beginning on or after 1 January 2016 but will not impact ESPERITE, since none of the reporting entities of ESPERITE operate in a market that is subject to rate regulation.

IFRS 15, 'Revenue from Contracts with Customers', establishes a new five step approach to revenue recognition that applies to all entities. The new standard is effective for annual reporting periods beginning on or after 1 January 2017. The impact of this new standard on the financial position of ESPERITE and performance is currently being investigated.
IFRS 9, 'Financial Instruments' In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015.

The new IFRIC interpretations are not expected to have a material effect on the consolidated financial statements.

6. Financial risk management

Overview

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
- operational risk
- capital risk

The Group's major financial instruments include current and non-current trade and other receivables, cash and cash equivalents, current and non-current trade and other payables, financial leases and other non-current liabilities. Details of these financial instruments are disclosed in the respective notes, especially note 43.

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 analyse 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

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 the Group's receivables from customers, business partners and tax authorities.

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. When it is not possible to review the recoverable amount of each individual debt, management reviews the average days of revenue outstanding in order to determine whether the debts are irrecoverable.

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.

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.

Transaction risk to the Group is limited because the transactions of the foreign subsidiaries are denominated in their local currency, except for some interGroup 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.

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 no material borrowings except for the sale and leaseback liability which has a fixed interest percentage for 15 years.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirement and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Group's subsidiaries. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- segregation of duties, including the independent authorization of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures

Compliance with Group standards is supported by regular reviews by senior financial management. Significant findings are reported to and discussed with the Board of Directors and local senior management.

Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern 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. 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 Group nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group issued a non-listed convertible loan bond to Salveo Biotechnology S.A. for the amount of €1.4 mio. The conversion rate is set to €1.70 per ordinary share.

7. Changes in structure ESPERITE

Acquisition Salveo, part I

On 24 December 2013, ESPERITE acquired all assets that are exclusively related to the distribution and commercial activities of the umbilical cord blood and umbilical cord tissue cryopreservation business of Salveo Biotechnology S.A., Switzerland and its subsidiaries, effective as of 1 January 2014. The payment for the transaction consists of 485,597 ESPERITE N.V. shares plus €1.450.000 amount in cash, paid in June 2014. The total consideration of €2.2 mio. has been recorded as goodwill in the 2013 financial statements. According to IFRS the goodwill has been identified based on the outcome of the purchase price allocation. The transaction is considered as a business combination.

Consideration transferred	
Equity instruments (485,597 ordinary shares)	782
Deferred consideration	1,450
Total consideration	2,232
Identifiable assets acquired and liabilities assumed	
Fair value of distribution network/contracts	1,316
Fair value of trade name	117
Prepayment of supplier agreement	102
Net identifiable assets	1,535
Goodwill on acquisition	697
Consideration	2,232

The goodwill of €0.7 mio. is mainly attributable to the skills and talent of Salveo's staff and the synergies expected to be achieved from the marketing positioning of Salveo as dual brand name in countries where CryoSave already exists. The (partly) reclassification from goodwill to identified assets have been included under note 20 on the line 'reclassification'. The goodwill is tax deductible.

Acquisition Salveo, part II

On 14 May 2014, ESPERITE entered into an asset sale and purchase agreement on the basis of which it has acquired the Swiss-laboratory-related cord blood and cord tissue processing and storage activities, the regenerative medicine activities, and the central commercial and IT functions of Salveo Biotechnology S.A. This transaction, which will provide the Group with additional capacity and facilities in Geneva, will allow the Group to reallocate resources and activities, and to increase the level of operational excellence. The transaction is not considered as a business combination, but qualifies as an asset acquisition.

Consideration transferred

The consideration transferred for the transaction with Salveo Biotechnology S.A. amounts to €2.1 mio. consisting of €0.7 mio. payment in cash and the issue of €1.4 mio. convertible loan note to Salveo Biotechnology S.A. The loan note pays an annual coupon of 3% during the conversion period which started on 1 January 2015 and ends on the final maturity date, being 31 December 2019. The loan note is convertible into ordinary shares of ESPERITE at an initial conversion price of €1.70. The conversion price may be adjusted in case of certain dilutive events such as:

1. A split or consolidation of ordinary shares;
2. ESPERITE pays a stock dividend or makes a distribution of any ordinary shares;
3. Issue of ordinary shares at a substantial discount;
4. Issuance of Equity-Linked Securities at a Substantial Discount.

The loan is not listed.

Consideration transferred	
Equity instruments issued (convertible loan note)	1,400
Cash	700
Total consideration	2,100
Identifiable assets acquired and liabilities assumed	
Fair value of laboratory equipment	1,634
Fair value of ICT equipment	194
Fair value of other intangible assets	272
Total	2,100

The other intangible assets relates to software and licenses. See note 20 and 21 for the inclusion of the above mentioned acquired assets.

Salveo Holding S.A. is controlled by Mr. F. Amar. Salveo Biotechnology is an entity in which Salveo Holding S.A. has a significant influence sinterest; however this is not a controlling interest. Salveo Holding S.A. has a significant influence interest in ESPERITE N.V, and Mr F. Amar is the CEO of ESPERITE, making ESPERITE N.V. and Salveo Holding S.A. related parties.

Mr F. Amar was a (non)executive Board member of ESPERITE N.V. as per the date of the acquisitions of the Salveo activities. Mr Amar was not involved in the decision making process of the Board in relation to both acquisitions of the Salveo activities.

Serbia

The Group effectuated its option to acquire the last tranche of 10% of the shares of CryoSave Serbia. ESPERITE N.V. paid for this option the normalized EBITDA times a certain multiplier. Furthermore, an appreciation payment was made based on normalized EBITDA corresponding to the actual percentage of shareholding of sellers at the time. As CryoSave Serbia waived their dividend entitlements, the Group consolidated this entity for 100%. The Group paid €80k to the former owners of CryoSave Serbia in 2014. Reference is made to note 23.

Portugal

The Group acquired the Criobaby stem cell banking activities from CBB Group Sarl, the operator of the Portuguese leading stem cell banking activities. Pursuant to the transaction, CBB Group Sarl transferred the Portuguese activities to CryoSave Portugal Ltda. The Group paid for the acquisition in shares of CryoSave Portugal Ltda, and CBB Group Sarl now holds a 40% share interest in this entity. The consideration transferred has a value of €2 thousand.

Other

Several dormant entities were liquidated in 2014 and some other legal entities were established. See note 22 for the list of subsidiaries.

8. Operating segments

The Group identifies four operating segments (2013: two operating segments): the extraction and storage of adult human stem cells (ie CryoSave), research and development (ie The Cell Factory), Genoma and other types of products and services. The latter mainly consists of Output Pharma Services GmbH ('Output'). In 2013, the Group identified two operating segments (stem cell storage, CryoSave and Other, mainly Output Pharma Services GmbH). The operating segment Genoma did not exist in 2013 and the operating segment 'The Cell Factory' was not identified as such.

The segments sales channels are integrated to create advantages in revenue growth and lower levels of sales costs. The accounting policies of the reportable segments are mainly the same, except for revenue recognition. Information regarding the results of each reportable segment is included below. Performance is measured based on EBITA (earnings before interest, tax and amortization on identified intangible assets), as included in the internal management reports that are reviewed by the Board. Corporate overhead costs were allocated to the segment 'Stem cell storage' and 'Genoma'.

Information about reportable segments

	Stem cell storage 2014	R&D 2014	Genoma 2014	Other 2014	Eliminations 2014	Total 2014
Revenue						
Segment revenue	26,602	–	423	585	–	27,610
Inter-segment	–	–	157	107	(264)	–
Other segment information						
EBITA*	(1,616)	(235)	(631)	(251)	–	(2,733)
Finance income	456	–	–	–	–	456
Finance expense	(721)	–	(34)	(4)	–	(759)
Depreciation and amortization	(4,086	–	–	(29)	–	(4,115)
Result before taxation	(4,320)	(235)	(665)	(255)	–	(5,475)
Income tax expense	(461)	–	–	(9)	–	(470)
Segment profit	(3,859)	(235)	(665)	(246)		(5,005)
Segment assets	45,183	–	1,290	313	–	46,786
Segment liabilities	23,277	–	1,873	345	–	25,495
Capital expenditure	3,003	–	715	61	–	3,779

	Stem cell storage 2013	R&D 2013	Genoma 2013	Other 2013	Total 2013
Revenue					
Segment revenue	28,883	–	–	931	29,814
Inter-segment	–	–	–	–	–
Other segment information					
EBITA*	(1,862)	(289)	–	50	(2,101)
Finance income	814	–	–	4	818
Finance expense	(825)	–	–	0	(825)
Depreciation and amortization	(3,577)	–	–	(26)	(3,603)
Result before taxation	(3,246)	(289)	–	53	(3,482)
Income tax expense	14	–	–	17	31
Segment profit	3,261	(289)	–	37	(3,513)
Segment assets	50,969	–	–	283	51,252
Segment liabilities	24,245	–	–	69	24,314
Capital expenditure	638	–	–	9	647

*EBITA differs from underlying EBITA (which excludes non-recurring items). Reference is made to the financial review on page 47.

Revenue from third parties attributed to the Group's country of domicile, The Netherlands, amounted to €0.2 mio. (2013: €0.3 mio.).

Assets attributed to the Group's country of domicile, The Netherlands, amounted to €18.5 mio. (2013: €20.5 mio.).

Geographic information

In presenting information on the basis of geographical information. revenue per country is based on the geographical location of customers. Non-current assets. other than financial instruments and deferred tax assets are based on the geographical location of the assets.

	Revenue 2014	2013	Non-current assets 2014	2013
Spain	6,412	8,738	90	83
Italy	5,854	3,724	49	45
Hungary	2,236	3,022	474	536
Other countries	13,108	14,330	29,959	30,734
Total	27,610	29,814	30,572	31,398

Major customers

The Group had no major customers, as revenue mainly relates to individual customers.

9. Revenue

	2014	2013
Stem cell extraction and storage	26,602	28,883
Genoma	580	–
Other products and services	428	931
Total revenue	27,610	29,814

Group revenue decreased by €2.2 mio. to €27.6 mio., largely due to declining volumes in Spain and Hungary. The increase of revenue of Italy mainly relates to the acquisition of Salveo and the revenue generated from Genoma, could not compensate in full the decline in revenue.

10. Cost of sales

	2014	2013
Collection costs	3,950	4,239
Service fees	2,630	2,696
Laboratory costs	3,856	3,657
Total cost of sales	10,436	10,592

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 received a govemment grant of €0.2 mio. which has been recognized as redaction of laboratory costs..

11. Marketing and sales expenses

	2014	2013
Employee benefit expenses	5,630	5,059
Other marketing and sales expenses	3,232	2,918
Non-recurring expenses	188	227
Total marketing and sales expenses	9,050	8,204

The increase in underlying marketing and sales expenses was mainly because of the acquisition of sales staff of Salveo Biotechnology S.A. and investments in the new services of Genoma.
Non-recurring expenses related to severance costs.

12. Research and development expenses

	2014	2013
Employee benefit expenses	180	216
Other research and development costs	57	73
Total research and development expenses	237	289

13. General and administrative expenses

	2014	2013
Employee benefit expenses	3,723	3,844
Other general and administrative expenses	7,799	9,435
Non-recurring expenses	240	163
Non-recurring impairment loss	1,230	741
Total general and administrative expenses	12,992	14,183

Underlying general and administrative expenses decreased by €1.8 mio. The decrease, on balance €0.3 mio., was mainly due to headcount reduction in overhead, partly offset by the increase of acquired staff of Salveo Biotechnology.

Furthermore, as a result of stringent cost saving, a reduction of consultancy and legal costs were materialized compared to last year (€1.3 mio.).

Non-recurring expenses related to severance costs.

14. Employee benefit expenses

	2014	2013
Salaries and wages	7,714	7,268
Social security costs	1,329	1,234
Cost of defined contribution plans	101	243
Cost of defined benefit plans	118	–
Other personnel expenses	271	375
Total employee benefit expenses	9,533	9,120

Employees

The number of full time equivalents at year-end 2014 was 205 (2013: 138). The corresponding average for 2014 was 180 (2013: 192). Full time equivalents increased in 2014 mainly due to the acquisition of Salveo and the launch of Genoma services. In 2013, the Group employed a large number of part-time employees in its Indian operations, which explains the relatively low number of full time equivalents compared to the average number of employees.

15. Depreciation and amortization expenses

	2014	2013
Depreciation of property, plant and equipment	1,112	1,140
Amortization of intangible assets regarding acquisitions	1,393	1,363
Amortization of other intangible assets	380	307
Non-recurring impairment loss	1,230	741
Total depreciation and amortization expenses	4,115	3,551

16. Finance income

	2014	2013
Interest payment plans	254	254
Interest income bank and deposits	72	62
Currency translation differences	130	–
Deferred consideration adjustment	–	503
Total finance income	456	819

The average interest rate charged was 2.9% (2013: 4.4%) with respect to customer payment plans.

The deferred consideration adjustment in 2013 was caused by lower performance of acquired entities in the past than considered at the moment of acquisition.

17. Finance costs

	2014	2013
Bank charges and other finance costs	368	227
Interest expense sale and leaseback	175	186
Interest convertible loan note	46	–
Currency translation differences	100	411
Deferred consideration adjustment	70	–
Total finance costs	759	824

The interest expense related to the sale and leaseback agreement dated 1 September 2009 of €4.3 mio. at a fixed interest percentage of 5.5% for the period of 15 years.

The interest expense related to the convertible loan note dated 14 May 2014 of €1.4 mio. at a fixed annual coupon of 3% for the period of 5 years. In the consolidated income statement, the market rate applied is 6%.

According to the accounting policies, the translation reserve with respect to dissolved subsidiairies has been recycled through the income statement as a loss and has been reflected under 'currency translation differences' for the amount of €0.1 mio. in 2014 (2013: € 0.2 mio.).

18. Income tax expense

	2014	2013
Income tax expense/(income) recognised in profit or loss	(470)	31
Tax expense comprises:		
Current tax expense/(income)	128	113
Deferred tax expense/(income)	(566)	(90)
Prior year's tax difference	(32)	8
Total tax expense/(income)	(470)	31
Reconciliation of the effective tax rate:		
Result before taxation	(5,475)	(3,482)
Income tax using the Group's domestic tax rate (25%)	(1,369)	(871)
Tax effect of:		
Effect of tax rates in other countries	48	11
Derecognition of previously recognized tax losses	69	–
Non-deductible expenses	184	140
Profits offset with unused tax losses for which no deferred tax asset had been recognised	(246)	(29)
Unused tax losses not recognised as deferred tax assets	876	772
Prior year's tax differences	(32)	8
Income tax expense/(income)	(470)	31

Estimates and judgment made by management are required to determine the Group's tax position, amongst other corporate income tax and value added 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 income and statement of financial position. Should additional taxes be assessed these could have a material effect on the Group's results or financial position.

Effective tax rate

The weighted average tax rate on profit before taxation was 8.6% (2013: -0.9%).

19. Earnings per share

	2014	2013
Basic earnings per share (in euro cents)	(51,5)	(37,9)
Diluted earnings per share (in euro cents)	(51,5)	(37,9)

The average market value of ordinary shares during 2014 (€1.68) did not exceed the exercise price of the share options granted during 2007-2012. Hence these options had no dilutive effect.
The market value of ordinary shares at December 31 2014 (€1.49) did not exceed the exercise price of the convertible loan, Hence the convertible loan had no dilutive effect,

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

	2014	2013
Issued ordinary shares at 1 January	9,728,692	9,728,692
Shares held in treasury	–	(467,373)
Weighted average number of shares	9,728,692	9,261,319

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

	2014	2013
Weighted average number of shares	9,728,692	9,261,319
Share options	–	–
Diluted weighted average number of shares	9,728,692	9,261,319
Result attributable to ordinary equity holders of the Group	(5,014)	(3,513)

20. Intangible assets

	Goodwill	Identified intangible asset	Internally generated intangible assets intangible	Other assets	2014
At 1 January 2014					
Cost	30,441	13,579	–	1,109	45,129
Amortization	(13,928)	(7,869)	–	(578)	(22,375)
Net book value at 1 January 2014	16,513	5,710	–	531	22,754
Movements					
Translation differences	(188)	(77)	–	–	(265)
Acquisition	–	–	–	272	272
Investments	–	–	107	274	381
Reclassification*	(1,535)	1,433	–	–	(102)
Impairment	(99)	(979)	–	–	(1,078)
Amortization	–	(1,392)	–	(380)	(1,772)
Total movements 2014	(1,822)	(1,015)	107	166	(2,564)
At 31 December 2014					
Cost	28,807	12,291	107	1,456	42,661
Amortization/Impairment	(14,116)	(7,596)	–	(759)	(22,471)
Net book value at 31 December 2014	14,691	4,695	107	697	20,190

*In 2013 the total consideration of the Salveo acquisition was classified as goodwill. In 2014 the identified assets were reclassified. An amount of €0.1 mio. of the total consideration relate to a prepayment on a supplier agreement for the first quarter of 2014. This amount has been expenses in the statement of income in 2014.

The amortization expense and impairment are recorded under general and administrative expenses in the statement of income.

	Goodwill	Identified intangible asset	Internally generated intangible assets intangible	Other assets	2013
At 1 January 2013					
Cost	28,376	13,719	747	975	43,817
Amortization	(13,928)	(6,564)	(747)	(409)	(21,648)
Net book value at 1 January 2013	14,448	7,155	0	566	22,169
Movements					
Translation differences	(61)	(82)	–	–	(143)
Acquisition	2,232	–	–	–	2,232
Investments	–	–	–	272	272
Deferred consideration adjustment	(106)	–	–	–	(106)
Amortization	–	(1,363)	–	(307)	(1,670)
Total movements 2013	2,065	(1,445)	–	(35)	585
At 31 December 2013					
Cost	30,441	13,579	–	1,109	45,129
Amortization/Impairment	(13,928)	(7,869)	–	(578)	(22,375)
Net book value at 31 December 2013	16,513	5,710	–	531	22,754

Goodwill and identified intangible assets impairment testing

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 segments stem cell storage and other 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, among other factors, when reviewing for indicators of impairment. As at 31 December 2014, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of goodwill and impairment of the assets of the operating segment at that date. On the date of these financial statements the market capitalisation of the Group is above the book value of its equity.

For the purpose of impairment testing, goodwill is allocated to the Group's Cash generating units ('CGU') which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments. The Group identified four CGU's, goodwill is allocated to 'stem cell storage' (€16.5 mio.) and 'other'(€0.2 mio.). No goodwill is allocated to the other CGU's, Genoma and The Cell Factory.

For the segment 'other' a goodwill impairment loss was recorded amounted to €0.1 mio. as management expects a decline in the revenue and profitability of this segment. Furthermore, the identified intangible regarding brand name was also impaired, which amounted to €0.1 mio. In total €0.2 mio. was to its full extend impaired.

For the segment 'stem cell storage', the recoverable amount exceeded the carrying amount, hence no impairment of goodwill. Regarding the identified intangible assets, management assessed the value and recognized an impairment of €1.0 mio. The impairment relate to (i) brand name of the ceased German operations (€0.2 mio.), the value of customer relationship in the former Balkan countries (€0.1 mio.) and the value of a B2B contract which did not meet management's expectations (€0.7 mio.). In 2013, no impairment was recorded.

Key assumptions used in discounted cash flow projections

The key assumptions used in the projections are as follows:

- Revenue growth: based on actual experience and market analysis.
- Margin development: based on actual experience and management's mid to long-term projections.
- WACC: based on the market rates of return demanded from investors in the type of activities of the company.

The projections of cash flows are based on 2015 budget. The cash flows are extrapolated into the future using a steady growth rate of 2% for the segment 'stem cell storage' and 2% for the segment 'other' for the years two to five, and 2% beyond this five year period.

As the new line of business, Genoma, utilizes the 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. As management considers Genoma in a start-up phase, the respective projected cash inflows have been discounted against a higher WACC (+3%) on top of the WACC used in the segment 'stem cell'.

The projected pre-tax cash flows are discounted to their net present value using a pre-tax discount rate of 16.7% (2013: 13%) for the segment 'stem cell storage' and 10% (2013: 10%) for the segment 'other'. The pre-tax discount rate is based on the risk-free rate for 15-year government bond in the relevant market, adjusted for a risk premium which was higher assessed than in 2013.

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	2014
Pre-tax discount rate	>9.8%
Revenue and cost of goods sold	>negative 14%
EBIT	> negative 45%

	Decrease recoverable amount
Stem cell storage	2014
Scenario if post-tax discount rate is +1% (Stem cell 13.8% to 14.8% and Genoma 16.8% to 17.8%)	€4.3m
Scenario revenue and cost of goods sold is minus 10% for Stem cell and 20% lower fees for Genoma	€19.4m
Scenario when EBIT is minus 10%	€ 5.0m

The recoverable amount exceeds the carrying amount (of €35.8 mio.) by 64%.

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 of €4.7 mio. (2013: €5.7 mio.) represented the value of brand names €3.8 mio. (2013: €4.3 mio.), customer relationships € nil (2013: €0.1 mio.), contracts €0.8 mio. (2013: €0.8 mio.) and re-acquired rights €0.1 mio. (2013: €0.5 mio.).

Other intangible assets

Other intangible assets mainly relate to capitalized software and software licenses and are amortized in three years.
In 2014 and 2013 no impairment of these intangibles was deemed necessary.
As in previous year, no intangible assets have been pledged as security for liabilities.

21. Property, plant and equipment

	Land and buildings	Lab and office equipment	Other tangible assets	2014
At 1 January 2014				
Cost	6,706	4,130	882	11,718
Depreciation	(814)	(1,804)	(456)	(3,074)
Net book value at 1 January 2014	5,892	2,326	426	8,644
Movements				
Investments	63	2,806	256	3,125
Depreciation	(200)	(725)	(187)	(1,112)
Impairment	(152)			(152)
Disposals at cost	–	(12)	(208)	(220)
Depreciation on disposals	–	10	119	129
Translation differences	(26)	(1)	(5)	(32)
Total movements 2014	(315)	2,078	(25)	1,738
At 31 December 2014				
Cost	6,743	6,922	924	14,589
Depreciation/Impairment	(1,166)	(2,518)	(523)	(4,207)
Net book value at 31 December 2014	5,577	4,404	401	10,382

In 2014, the impairment loss of €152 thousand represented the write-down of certain property in the stem cell segment to the recoverable amount as a result of vacancy in one of the labs. This was recognised in the statement of profit or loss as impairment under the depreciation.

No property, plant and equipment have been provided as collateral. See note 31 for additional disclosure on the processing and storage facility in Niel, Belgium.

	Land and buildings	Lab and office equipment	Other tangible assets	2013
At 1 January 2013				
Cost	7,045	5,958	1,543	14,546
Depreciation	(798)	(3,019)	(759)	(4,576)
Net book value at 1 January 2013	6,247	2,939	784	9,970
Movements				
Investments	13	218	124	355
Depreciation	(223)	(659)	(258)	(1,140)
Disposals at cost	–	(209)	(591)	(800)
Depreciation on disposals	–	230	376	606
Deconsolidation at cost	(241)	(626)	(121)	(988)
Depreciation on deconsolidation	124	484	98	706
Reclassification	–	(24)	24	0
Translation differences	(28)	(27)	(10)	(65)
Total movements 2013	(355)	(613)	(358)	(1,326)
At 31 December 2013				
Cost	6,706	4,130	882	11,718
Depreciation/Impairment	(814)	(1,804)	(456)	(3,074)
Net book value at 31 December 2013	5,892	2,326	426	8,644

22. Investment in subsidiaries

Details of main subsidiaries at year end are as follows:

		Shareholding	
Name of subsidiary directly held by ESPERITE N.V.	Place of incorporation	2014	2013
CryoSave AG	Switzerland	100%	100%
CryoSave Stammzelltechnologie GmbH	Austria	100%	100%
CryoSave GmbH	Germany	100%	100%
CryoSave Italia S.r.l.	Italy	100%	100%
CryoSave Labs N.V.	Belgium	100%	100%
Stichting CryoSave*	The Netherlands	100%	100%
CryoSave Espana S.A.	Spain	–	100%
Output Pharma Services GmbH	Germany	100%	100%
CryoSave Polska Sp.z.o.o.	Poland	–	100%
CryoSave South Africa Ltd.	South Africa	100%	100%
CryoSave Balcanica S.A.	Greece	100%	100%
CryoSave France S.A.S.	France	100%	100%
CryoSave Portugal Lda	Portugal	60%	100%
VSB Services Ltd.	Hungary	100%	100%
CryoSave CZ s.r.o.	Czech Republic	100%	100%
CrioCord S.L.	Spain	100%	100%
Valor Conexo SGPS Lda	Portugal	–	100%
Tissue Bank Cryo Center Bulgaria AD	Bulgaria	100%	100%
Salus Futura Ltd.	United Kingdom	–	100%
CryoSave USA, Inc.	USA	100%	100%
Stichting CryoSave Research*	The Netherlands	100%	100%
CryoSave Serbia d.o.o. Beograd	Serbia	100%	90%
CryoSave Hungary Kft.	Hungary	100%	100%
Genoma S.A.	Switzerland	100%	–
Salveo Life Sciences S.A.	Switzerland	100%	–

* ESPERITE N.V. controls this entity.

CryoSave AG's and Salveo Life Sciences S.A.'s principal activity is the collection, processing and storage of adult human stem cells from umbilical cord blood and the umbilical cord itself. The principal activity of the other subsidiaries is the marketing and promotion of this service, except for Output Pharma Services GmbH.

Genoma is the Group's second business unit active in the fields of proteomics and genomic predictive medicine. This business has been introduced end 2014.

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

23. Investments in equity accounted investees

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

		Shareholding	
Name of equity accounted investee	Place of incorporation	2014	2013
CryoSave Ltd.*	United Arab Emirates	35%	35%
Salveo Swiss Technologies Ltd.	South Africa	50%	–
CryoSave South Africa	South Africa	50%	50%

*99% owner of CryoSave Arabia FZ-L.L.C.

Investments in equity-accounted investees

	2014	2013
CryoSave Ltd. UAE	29	–
CryoSave South Africa	29	29
Total investments in equity-accounted investees	58	29

Provisions for negative equity-accounted investees

	2014	2013
Salveo Swiss Technologies Ltd.	97	–
Total provision	97	–

Summarized financial information CryoSave Ltd. UAE (100%, in thousands of euro)

	2014	2013
Total assets	456	320
Total liabilities	372	655
Revenue	2,117	1,928
Profit or (loss)	425	668
Share (35%) of equity	29	(117)

The Group recognized its share of cumulated results of CryoSave Arabia FZ-L.L.C. The share of profit for the year 2014 amounted to €148.750 (2013: €233.800), and €29.000 profit cumulatively. The Group's liability towards this equity accounted investee is limited to the invested amount. Hence, in 2013 the cumulative loss was not recognized.

Summarized financial information CryoSave South Africa (100%, in thousands of euro)

	2014	2013
Total assets	966	821
Total liabilities	907	761
Revenue	1,386	1,574
Profit or (loss)	(1)	(45)
Share (50%) of equity	29	29

The Group recognized its share of cumulated results of CryoSave South Africa.

Summarized financial information Salveo Swiss Technologies Ltd. (100%, in thousands of euro)		
	2014	2013
Total assets	72	–
Total liabilities	269	–
Revenue	60	–
Profit or (loss)	(193)	–
Share (50%) of equity	(97)	–

The Group has made a provision for its share of cumulated losses in Salveo Swiss Technologies Ltd.

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.

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 €10.7 mio. (2013: €13.9 mio.) 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.

At 31 December 2014, the loss carried forward not recognized in deferred tax assets expire as follows								
In €millions	2015	2016	2017	2018	2019	Later	Unlimited	Total
	_	3,7	_	_	0,7	3,1	3,2	10,7

Recognized deferred tax assets and liabilities

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

	Assets		Liabilities	
	2014	2013	2014	2013
Identified intangible assets			1,012	1,408
Net operating losses	523	274		
Land and buildings			191	174
Others	55	116		
Balance at 31 December	578	390	1,203	1,582

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 €0.5 mio. (2013: €0.3 mio.) relate to tax losses to be compensated with foreseeable future profits.

Approximately €0.2 mio. of the deferred tax liabilities at 31 December 2014 will be utilized within one year.

Movement in temporary differences

The movement in temporary differences during 2014 was as follows:

	Balance at 1 January 2014	Recognised in income	Balance at 31 December 2014
Identified intangible assets	(1,408)	396	(1,012)
Net operating losses	274	249	523
Land and buildings	(174)	(17)	(191)
Others	116	(61)	55
Tax assets/(liabilities)	(1,192)	567	(625)

The movement in temporary differences during 2013 was as follows:

	Balance at 1 January 2013	Recognised in income	Balance at 31 December 2013
Identified intangible assets	(1,695)	287	(1,408)
Provision for doubtful debts	55	(55)	–
Net operating losses	445	(171)	274
Land and buildings	(166)	(8)	(174)
Others	75	41	116
Tax assets/(liabilities)	(1,286)	94	(1,192)

25. Non-current trade and other receivables

	2014	2013
Trade receivables	1,246	714
Other receivables	44	37
Total non-current receivables	1,290	751

Non-current trade receivables comprise receivables with a contractual payment term over a year. These amounts are invoiced to the customers in the year in which the service has been provided, including interest.

No security has been provided for the outstanding amount.

There is no concentration of credit risks relating to the non-current trade receivables.

26. Inventories

	2014	2013
Collection kits	162	157
Processing materials	279	362
Total inventories	441	519

The cost of inventories included in the statement of income under cost of sales amounted to €1.7 mio. (2013: €2.5 mio.). No material write-down of inventories was recorded in 2014. In 2013, €0.1 mio. was impaired due to the expiration of some kits. The inventories are not pledged as security for liabilities.

27. Current trade and other receivables

	2014	2013
Trade receivables	8,129	6,681
Prepayments	240	674
Receivables from equity accounted investees	465	465
Other receivables	2,771	1,658
Total current trade and other receivables	11,605	9,478

There is no concentration of credit risks relating to the current trade receivables.
The fair value of the receivables is equal to their carrying value, because of their short-term nature.

Other receivables

	2014	2013
VAT receivable	1,582	1,394
Other tax receivable	87	212
Other receivables	1,102	52
Other receivables	2,771	1,658

28. Current tax assets

	2014	2013
Income tax receivable	145	130
Total current tax assets	145	130

29. Cash and cash equivalents

	2014	2013
Deposits	824	1,507
Cash and bank balances	1,273	7,050
Total cash and cash equivalents	2,097	8,557

Of the total cash and cash equivalent €0.8 mio. has been pledged for bank guarantees.

As per 31 December 2014, the Group held no cash in USD (2013: USD 1.3 mio.) and CHF 0.8 mio. on a bank account (2013: CHF 1.5 mio.).

30. Equity

Share capital and share premium

Authorised shares

The Group's authorised share capital comprises 48,000,000 shares with a par value of €4.800.000 as per 31 December 2014 (ordinary shares of €0.10 each).

Issued shares

The total issued ordinary share capital consists per 31 December 2014 of 9,728,692 shares with a par value of €0.10 (31 December 2013: 9,728,692 shares).

At the Annual General Meeting of Shareholders held on 14 May 2014, it was resolved to delegate to the Board of Directors the power (a) to issue shares and rights to subscribe for shares in the share capital of the Group up to a maximum number of 15% of the issued share capital as at the date of the present annual general meeting, (b) to restrict or exclude the pre-emptive rights in connection with such issue of shares or rights to subscribe for shares, each for a period of 18 months.

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 amortised 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 recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. 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 recognised.

Translation reserve

The translation reserve contains exchange rate differences arising from the translation of the net investment in foreign operations and exchange rate differences on assets valued as historical costs. 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 CryoSave Balcanica S.A. As part of the purchase price allocation, the intangible assets relating to the 50% of the shares already owned by CryoSave were revalued. Along with the amortisation, 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. His reserve is not available for distribution.

Dividend

Following the shareholder resolution on 14 May 2014, the Group decided not to distribute dividend (2013: 0 euro cent per share).

31. Borrowings

	2014	2013
Borrowings – non-current liabilities	4,008	3,003
Borrowings – current liabilities	213	202
Total borrowings	4,221	3,205

Borrowings represent financial lease commitments and the liability regarding the convertible loan note.

The following table describes, as per 31 December 2014, 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	413	200	213
Between one and five years	2,814	621	2,193
More than five years	2,111	296	1,815
Total	5,338	1,117	4,221

The following table describes, as per 31 December 2013, the Group's contractual obligations for the following five years and thereafter.

	Future minimum payments	Interest	Present value of minimum payments
Less than one year	377	175	202
Between one and five years	1,496	571	925
More than five years	2,483	405	2,078
Total	4,356	1,151	3,205

In May 2014 the Group issued a €1.4 mio. convertible loan note to Salveo Biotechnology S.A. The loan note pays an annual coupon of 3%. The market rate applied is 6% as included in the consolidated income statement. During the conversion period, which started on 1 January 2015 and ends on the final maturity date, being 31 December 2019. The loan note is convertible into ordinary shares of ESPERITE N.V. at an initial price of €1.70. The conversion price may be adjusted in the case of certain dilutive events. The loan note is not listed. The loan note is considered as long term and therefore included in the non-current borrowings.

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 mio. 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 €430.000 followed by quarters of €93.000. The lease obligation is recognised 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 (€430.000).

32. Deferred revenue

	2014	2013
Balance at 1 January	11,435	11,569
Deferred during the year	1,274	1,528
Released tot statement of income	(898)	(837)
Interest	192	(45)
Deconsolidation CryoSave India	–	(780)
Balance at 31 December	12,003	11,435
Non-current	11,080	10,568
Current	923	867

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.

33. Pensions plans

Net employee defined benefit liabilities	2014	2013
Swiss pension plan	224	–
Total current trade and other payables	224	–

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 summarise the components of net benefit expense recognised in the statement of profit or loss and the funded status and amounts recognised in the statement of financial position for the respective plans.

The Group recognized the pension plan as a defined benefit plan for the first time in 2014. The fair value before 2014 has been recognised in 2014.

2014 changes in the defined benefit obligation and fair value of plan assets									
Pension cost charged to income statement									
	1 January 2014	2013 adjustment	Service costs	Net interest	Sub-total included in income statement	Benefits paid	Contributions by participants	Insurance premium for risk benefits	Subtotal
Defined benefit obligation	–	(461)	(54)	(10)	(525)	(63)	(87)	30	(645)
Fair value of plan assets	–	413		10	423	63	87	(30)	543
Benefit liability	–	(48)	(54)	–	(102)	–	–		(102)

Remeasurement gains/(losses) in other comprehensive income								
	Subtotal	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	31 December 2014
Defined benefit obligation	(645)		(179)	(61)	–	(240)		(885)
Fair value of plan assets	543	31	–	–	–	31	87	661
Benefit liability	(102)	31	(179)	(61)	–	(209)	87	(224)

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

	2014	2013
Cash and cash equivalents	115	45
Equity instruments	175	129
Debt instruments	270	174
Real estate	67	43
Derivate	34	22
Total plan assets	661	413

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

	2014	2013
	%	%
Discount rate:	1,0	2,3
Future salary increases	1,0	1,0
Future customer price index increases	0,2	0,8
Life expectation for pensioners at the age of 65	Years	Years
Male	21,4	21,3
Female	23,9	23,8

A quantitative sensitivity analysis for significant assumption as at 31 December 2014 is as shown below:

Assumptions	Future pension cost increase		Discount rate		Future salary increases	
Sensitivity Level	1% increase	1% decrease	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on defined benefit obligation	77	n/a	(80)	93	17	(16)

Assumptions	Life expectancy of male pensioners		Life expectancy of female pensioners	
Sensitivity Level	Increase by 1 year	Decrease by 1 year	Increase by 1 year	Decrease by 1 year
Impact on defined benefit obligation	4	(4)	11	(11)

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:

	2014	2013
Less than one year	40	26
Between two and five years	116	82
Between five and ten years	82	45
Beyond 10 years	883	571
Total expected payments	1,121	724

The average duration of the defined benefit plan obligation at the end of the reporting period is 19.4 years (2013: 16.4 years).

34. Deferred considerations

	2014	2013
Deferred considerations – non-current liabilities	–	–
Deferred considerations – current liabilities	–	1,460
Total deferred considerations	–	1,460

The movement in deferred considerations during the year 2014 was as follows:

	2014	2013
Balance at 1 January	1,460	834
Acquisitions	–	1,450
Deferred consideration adjustment	70	(609)
Payments	(1,530)	(215)
Total deferred considerations	–	1,460

The Group paid €1.450.000 to the Seller of Salveo Biotechnology S.A. on 16 June 2014. The remaining part was paid to the Sellers of CryoSave Serbia for the remaining 10% of the shares. The Group owns now 100% of CryoSave Serbia.

35. Current trade and other payables

	2014	2013
Trade payables	4,086	2,385
Payables to related parties	128	–
Other payables	3,329	4,245
Total current trade and other payables	7,543	6,630

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

Other payables

	2014	2013
VAT payable	194	15
Other taxes payable	436	375
Other payables	2,699	3,855
Total current trade and other payables	3,329	4,245

36. Current tax liabilities

	2014	2013
Income tax payable	80	43
Total current tax liabilities	80	43

37. Share-based payments

In 2014 the Group recognised initially €22k share-based payments, relating to two option plans issued in the period 2011-2012 (2013: €0.1 mio.). Due to the leave of a Director and certain other employees, €31k was reversed during 2014. On balance, the Group recognised €9k (gain) related to share-based payments.

Share option scheme

On 30 October 2007 the Group established the CryoSave 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 summarised as follows:

All employees of the Group 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 Group or the announcement of the Group'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 Group.

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 Group and/or its subsidiaries by reason of injury, disability, ill-health or redundancy or retirement; or because his employing Group 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 Group, 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 Group 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 Group 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 Group 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.

The Group did not grant options to Directors or certain other employees of the Group for 2014.

Stock options									
Year of issue	Exercise price	Outstanding per 1 January 2013	Conditionally awarded	Exercised in 2014	Expired in 2014	Forfeited in 2014	Outstanding at 31 December 2014	Expiry date	Vested
2007	£11.05	6,000	–	–	–	_	6,000	2017	6,000
2008	£10.50	2,000	–	–	–	_	2,000	2018	2,000
2009	£2.79	6,000	–	–	–	_	6,000	2019	6,000
2010	€5.81	16,000	–	–	–	–	16,000	2020	16,000
2011	€5.47	36,000	–	–	–	(8,000)	28,000	2021	28,000
2012	€3.93	30,000	–	–	–	(8,000)	22,000	2022	
Total		96,000	–	–	–	(16,000)	80,000		58,000

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

38. 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	Other benefits	2014	2013
W.A.A. van Pottelberge*	21	–	–	–	21	36
R.H. W Lorijn	35	5	–	–	40	36
A.P. van Tulder*	–	–	–	–	–	360
J.P.G. Goossens**	–	–	–	–	–	15
K. Dorrepaal***	–	–	–	–	–	41
F. Amar*****	225	26	41	161	453	3
G.J. van der Marel****	39	–	–	6	45	3
Total remuneration	320	31	41	167	559	494

* W.A.A. van Pottelberge stepped back from his Non-Executive position on 30 June 2014.

** A.P. van Tulder resigned from his Chief Executive Officer position on 1 June 2013.

*** J.P.G. Goossens stepped back from his Non-Executive position on 25 June 2013.

**** K.L. Dorrepaal resigned from her Non-Executive position on 21 November 2013.

***** F. Amar and G.J. van der Marel joined ESPERITE as a Non-Executive Director on 21 November 2013.

****** F. Amar was appointed as CEO of ESPERITE on March 19 2014.

The other benefits of G.J. van der Marel comprised fees for specific engagements.

The other benefits of F. Amar comprised fees for specific engagements (mainly turnaround and restructuring activities during his non-executive period) and expense reimbursements. At the request of Mr. F. Amar, his base salary of 225 thousand has not been paid in 2014. The outstanding payable is disclosed in note 39.

The 2014 pension contributions as presented above concern the paid pension premiums, for the financial year 2014, at 9.5% of base salary (2013: 23.2%).

There are no outstanding loans or guarantees which have been granted or provided for to or for the benefit of any Director by the Group or any of its subsidiaries.

Shareholding of the Directors

The Directors hold the following interest in the Group as at 31 December 2014:

	2014	2013
R.H.W. Lorijn*	1,060	10,373
F. Amar*	2,863,748	2,621,148

* 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.

39. Related party transactions

Related party transaction

Transactions between the Group and its subsidiaries, which are related parties of the Group, 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.

	2014	2013
Group entities with equity accounted investees, sales transactions CryoSave Arabia FZ-L.L.C.	244	174
Group entities with equity accounted investees, sales transactions CryoSave South-Africa	78	75
Group entities with Bioteca – Preservação de Células Estaminais S.A., purchase transactions	454	–

The position at 31 December 2014 with CryoSave Arabia was €94 thousand receivable and with CryoSave South Africa (Joint-Venture) it was €371 thousand receivable as stated in note 27.

The outstanding payable to F. Amar was €128 thousand as per 31 December.

The outstanding payable to Bioteca – Preservação de Células Estaminais S.A. was €97 thousand as per 31 December.

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.

Ms. E. Mattil acted as Chief Executive Officers ad interim as of 1 June 2013 till 19 March 2014.
Her remuneration for 2014 till 19 March 2014 was €45 thousand (CHF 54,337).

40. 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	2014	2013
Less than one year	903	151	116	1,170	631
Between two and five years	3,302	124	12	3,438	1,091
More than five years	2,583	–	–	2,583	584
Total	6,788	275	128	7,191	2,306

41. Commitments and contingent liabilities

a. Rent

The Group has several property rent contracts for a total amount of €0.9 mio. per annum (2013: €0.4 mio.). 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.

b. Guarantees

CryoSave has issued bank guarantees amounting to €0.8 mio. (2013: €0.4 mio.), which expire between 2015 and 2022.

c. Distribution agreement

The Group has several (exclusive) distribution agreements with partners which sell the Group's services. The Group is committed to pay a total amount of €0.4 mio. per annum and a variable fee per sample. The related distribution contract to pay an annual fixed fee of €0.4 mio. has been terminated as per 31 January 2015.

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's Hungarian subsidiary settled a VAT claim with respect to the fiscal year 2011. However, the Group appeals against this decision made by Hungarian Tax and Customs Administration and filed a case at the Higher Court. As a consequence of the audit with respect to 2008, also other fiscal years may be open for reassessment. However, based on the information currently available and the mitigated activities performed by the Group, the Group is of the opinion that no liability should be recorded.

42. Audit fees

The aggregate fees of the Group's auditor, Ernst & Young Accountants LLP and its foreign offices, for professional services rendered in 2014 are stated in the table below. The 2013 figures are related to KPMG Accountants N.V.

	2014	2013
Audit fees	250	194
Audit-related fees	–	27
Tax fees	–	77
Total	250	298

Audit fees consist of fees for the audit of both consolidated financial statements and local statutory financial statements. The following fees relate to Ernst & Young Accountants LLP The Netherlands only: audit fees €215 thousand.

43. 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.

	2014	2013
Loans and receivables		
Trade receivables, non-current assets	1,246	714
Trade receivables, current assets	8,129	6,681
Other receivables, non-current assets	44	37
Other receivables, current assets	3,476	517
	12,895	7,949
Cash and cash equivalents	2,097	8,556
Total assets, financial instruments	14,992	16,505
Other liabilities		
Borrowings, non-current liabilities	4,008	3,003
Other liabilities, non-current liabilities	124	127
Borrowings current liabilities	213	202
Trade payables, current liabilities	4,086	2,385
Other liabilities, current liabilities	3,457	5,316
Total liabilities, financial instruments	11,888	11,033

Credit risk

Exposure to credit risk

Credit risk arises from receivables from customers and business partners. 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 risk on cash and cash equivalents is mitigated by a strict treasury policy, which includes that excess cash is transferred to the holding in The Netherlands.

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.

Estimates and judgment made by management are required in determining the Group's tax position, amongst other corporate income tax and value added 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 income and statement of financial position. Should additional taxes be assessed these could have a material effect on the Group's results of operations or financial position.

Breakdown of current trade receivables by age

On the balance sheet current trade receivables are presented net of an allowance for impairment of €0.7 mio. (2013: €0.7 mio.).

The aging of the current trade receivables and the impairment losses recognised for doubtful debts at reporting date were:

	Gross 2014	Impairment 2014	Gross 2013	Impairment 2013
Not overdue	5,749	(0)	5,930	(0)
Past due 0-30 days	720	(0)	391	(0)
Past due 30-120 days	922	(0)	229	(1)
Past due 120-180 days	233	(2)	96	(9)
Past due 180-360 days	524	(150)	155	(135)
More than one year	661	(528)	629	(604)
Total current trade receivables	8,809	(680)	7,430	(749)

The movement in the allowance for impairment in respect of current trade receivables during the year was as follows:

	2014	2013
Balance as at 1 January	749	1,559
Additions charged to income	224	407
Release charged to income	(64)	(249)
Utilisations	(229)	(665)
Deconsolidation	–	(265)
Currency differences	0	(38)
Balance as at 31 December	680	749

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

	Carrying amount	
	2014	2013
Business partners	184	59
Customers	7,945	6,622
Total current trade receivables	8,129	6,681

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

	Carrying amount	
	2014	2013
Spain	1,425	643
Italy	1,828	1,123
Hungary	809	1,148
Other countries	4,067	3,767
Total current trade receivables	8,129	6,681

Maximum credit risk exposure

The carrying amount of financial assets, amounting to €13.3 mio. (2013: €16.5 mio.) represents the maximum credit exposure.

The maximum exposure to credit risk for non-current trade receivables amounted to €1.2 mio. (2013: €0.7 mio.). 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 €1.8 mio. (2013: €0.5 mio.) mainly relate to customers to be invoiced and several small receivables.

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 following table describes, as of 31 December 2014, 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 2014.

Contractual maturities of financial liabilities 2014

	Carrying amount	Contractual cash flows	Less than 1 year	2-5 years	More than 5 year
Operational lease obligations	7,701	(7,701)	(1,170)	(3,948)	(2,583)
Financial lease obligations	2,998	(3,979)	(377)	(1,489)	(2,113)
Convertible loan note	1,223	(1,608)	(42)	(1,566)	–
(Exclusive) distribution agreements with partners	33	(33)	(33)	–	–
Trade and other payables	6,913	(6,913)	(6,913)	–	–
Total	18,868	(20,234)	(8,535)	(7,003)	(4,696)

Contractual maturities of financial liabilities 2013

	Carrying amount	Contractual cash flows	Less than 1 year	2-5 years	More than 5 year
Operational lease obligations	2,306	(2,306)	(631)	(1,091)	(584)
Financial lease obligations	3,205	(4,356)	(377)	(1,496)	(2,483)
Deferred considerations	1,460	(1,460)	(1,460)	–	–
(Exclusive) distribution agreements with partners	400	(400)	(400)	–	–
Trade and other payables	6,241	(6,241)	(6,241)	–	–
Total	13,612	(14,763)	(9,109)	(2,587)	(3,067)

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.

Currency risk

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.

Sensitivity analysis

A 10% strengthening or 10% weakening of the euro will have a limited impact on equity and/or consolidated statement of income.

Interest rate risk

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 a convertible loan note until 2019 against a fixed interest percentage of 3%. A change of the market rate will not materially affect the Group's results.

Fair value

The fair value of the financial instruments approximates the fair value given the nature of the instruments.

44. Events after the reporting period

Acquisition InKaryo Corporation

On 1 April 2015, ESPERITE acquired 100% of the total issued and paid share capital of InKaryo Corporation, a US start-up specialised in Bioinformatics for genetic diagnostics and molecular cytogenetic tests. With this acquisition ESPERITE will strengthens its diagnostic tests to top the market with eKaryotype, electronic whole-genome Karyotype test for liquid biopsy.

The payment for the transaction consists of 73,530 ESPERITE N.V. shares plus USD 40,000 amount in cash to be paid on completion of the transaction. According to IFRS the purchase price allocation will be performed within the 12 month window. The transaction is considered as a business combination, the assets mainly consist of cash and intellectual property `eKaryotype`.

Consideration transferred	
Equity instruments issued (73,530 ordinary shares)	224
Amount in cash (USD 40,000)	38
Total consideration	262

The fair value of the newly issued equity instruments of € 224 thousand was based on the trading share price of the Group of € 3.04 per ordinary share at 9 April 2015.

COMPANY statement of income

in thousands of euros

	2014	2013
Results subsidiaries after tax	(3,532)	(2,152)
Other income after tax	(1,482)	(1,361)
Result for the year	(5,014)	(3,513)

COMPANY balance sheet

at end of year, before allocation of result in thousands of euros

	Note	2014	2013
Assets			
Non-current assets			
Goodwill	46	13,994	14,281
Identified intangible assets	47	4,216	5,710
Other intangible assets		64	83
Property, plant and equipment	48	230	395
Investments in subsidiaries	49	7,712	7,585
Receivables from subsidiaries	50	538	1,760
Other non-current assets		–	16
Total non-current assets		26,854	29,830
Receivables from subsidiaries	50	3,446	477
Accounts receivable	51	151	155
Cash and cash equivalents		403	3,440
Total current assets		4,000	4,072
Total assets		30,754	33,902
Equity			
Shareholders' equity	52	21,278	26,769
Provisions	53	5,638	2,472
Liabilities			
Non-current liabilities	54	2,703	92
Current liabilities	55	1,135	4,569
Total equity and liabilities		30,754	33,902

NOTES to the Company financial statements

in thousands of euros

As provided in section 402 of The Netherlands Civil Code, Book 2, the income statement of ESPERITE N.V. includes only the after-tax results of subsidiaries and other income after tax, as ESPERITE N.V.'s figures are included in the consolidated financial statements.

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 net asset value.

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

45. Employee benefit expenses

	2014	2013
Salaries and wages	1,053	1,191
Social security charges	129	154
Consultancy fees	65	15
Cost of defined contribution pension plans	55	141
Share-based payments	(9)	0
Other personnel expenses	48	130
Total employee benefit expenses	1,341	1,631

The average number of employees, expressed in full-time equivalents, in 2014 was 12 (2013: 14).

46. Goodwill

	2014	2013
Balance at 1 January	14,281	14,448
Translation differences	(188)	(61)
Impairment	(99)	–
Deferred considerations adjustments	–	(106)
Balance at 31 December	13,994	14,281

47. Identified intangible assets

	2014	2013
Balance at 1 January	5,710	7,155
Translation differences	(77)	(82)
Amortization	(1,417)	(1,363)
Balance at 31 December	4,216	5,710

48. Property, plant and equipment

	2014	2013
Balance at 1 January	395	534
Additions	12	29
Disposals at cost	(128)	(329)
Depreciation on disposals	67	303
Depreciation	(116)	(142)
Balance at 31 December	230	395

49. Investments in subsidiaries

	2014	2013
Net asset value of subsidiaries at 1 January	6,521	8,339
Deconsolidation	(5)	(86)
Capital contributions	2,082	990
Dividends paid	(36)	(936)
Share of profit of subsidiaries	(3,556)	(2,152)
Amounts recognized directly in equity	(209)	–
Exchange differences	(208)	(83)
Offset with loans	(1,411)	449
Balance at 31 December	3,178	6,521
Provision for negative net asset value subsidiaries	4,534	1,064
Investment in subsidiaries	7,712	7,585

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.

See note 23 for the subsidiaries directly held by ESPERITE N.V.

Deconsolidation comprises the sale of 40% of the shares of CryoSave Portugal to CBB Group Sarl.

Capital contributions related to the contribution of capital to several subsidiaries to strengthen their capital and to newly created entities.

50. Receivables from subsidiaries

	2014	2013
Receivables from subsidiaries, non-current assets	538	1,760
Receivables from subsidiaries, current assets	3,446	477
Total receivables from subsidiaries	3,984	2,237

The receivables from subsidiaries include a subordinated loan amounting to €1.2 mio.

51. Accounts receivable

	2014	2013
Prepayments	61	70
Current tax assets	89	84
Other receivables	1	1
Total accounts receivable	151	155

52. Shareholders' equity

	Issued share	Share premium	Legal reserve	Revaluation reserve	Translation reserve	Retained earnings	Undistributed profit	Shareholders' equity
At 1 January 2013	973	38,169	185	374	(1,411)	8,643	(17,103)	29,830
Exchange differences on translating foreign operations	–	–	–	–	(38)	–	–	(38)
Other comprehensive income	–	–	–	–	(38)	–	–	(38)
Result for the year	–	–	–	–	–	–	(3,513)	(3,513)
Comprehensive income for the year	–	–	–	–	(38)	–	(3,513)	(3,551)
Appropriation of result prior year	–	–	–	–	–	(17,103)	17,103	–
Repurchased shares	–	–	–	–	–	(284)	–	(284)
Re-issued shares	–	–	–	–	–	782	–	782
Utilization of revaluation reserve	–	–	–	(100)	–	100	–	0
Other movements	–	–	68	–	–	(76)	–	(8)
At 31 December 2013	973	38,169	253	274	(1,449)	(7,938)	(3,513)	26,769
Exchange differences on translating foreign operations	–	–	–	–	(457)	–	–	(457)
Remeasurement gains (losses) on defined benefit plans	–	–	–	–	–	(209)	–	(209)
Other comprehensive income	–	–	–	–	(457)	(209)	–	(666)
Result for the year	–	–	–	–	–	–	(5,014)	(5,014)
Comprehensive income for the year	–	–	–	–	(457)	(209)	(5,014)	(5,680)
Appropriation of result prior year	–	–	–	–	–	(3,513)	3,513	–
Share based payments	–	–	–	–	–	(9)	–	(9)
Convertible loan bond	–	195	–	–	–	–	–	195
Utilization of revaluation reserve	–	–	–	(100)	–	100	–	–
Other movements	–	–	3	–	–	–	–	3
At 31 December 2014	973	38,364	256	174	(1,906)	(11,569)	(5,014)	21,278

The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2014, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of goodwill and impairment of the assets of the operating segment at that date. On the date of these financial statements the market capitalisation of the Group is above the book value of its equity.

53. Provisions

	2014	2013
Provision for negative equity subsidiaries	4,534	1,064
Deferred tax liabilities	1,104	1,408
Total current liabilities	5,638	2,472

ESPERITE formed a provision for its subsidiaries with a negative net asset value as the company could be held liable for the debt of these entities.

Deferred tax liabilities

	2014	2013
Balance at 1 January 2013		1,695
Additions		–
Deductions		(287)
Balance at 31 December 2013	1,408	1,408
Additions	–	
Deductions	(304)	
Balance at 31 December 2014	1,104	

54. Non-current liabilities

	2014	2013
Borrowings	1,223	–
Debts to subsidiaries	1,480	92
Total non-current liabilities	2,703	92

The borrowings relate to the convertible loan note.

55. Current liabilities

	2014	2013
Trade payables	524	226
Debt to subsidiaries	147	3,897
Deferred consideration	–	10
Current tax liabilities	10	35
Other liabilities	454	401
Total current liabilities	1,135	4,569

56. Related party transactions

ESPERITE 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 in 2014 concerned an amount of €3.1 mio. in management fees (2013: €3.3 mio.), €0.1 mio. in net finance income (2013: €0.1 mio.) and €2.1 mio. in capital contributions (2013: €1.0 mio.).

ESPERITE N.V. has at 31 December 2014 amounts due from subsidiaries of €2.5 mio. (2013: €2.2 mio.).

Further, ESPERITE N.V. has at 31 December 2014 amounts due to subsidiaries of €1.6 mio. (2013: €4.0 mio.).

Executive and Non-Executive Directors

In respect of the Board composition as of 31 December 2014, Executive and Non-Executive Directors sold 9,313 shares of ESPERITE N.V. in 2014 and acquired 242,600 shares (2013: 26,000 shares sold).

Equity accounted investees and companies controlled by Directors

In 2014, there were no related party transactions between ESPERITE N.V. and its equity accounted investees and companies controlled by Directors.

57. Commitments and contingent liabilities

Rent

ESPERITE N.V. has a property rent contract for a total amount of €0.1 mio. per annum. This contract has been entered into for a period of 10 years, ending May 2022.

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

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

30 April 2015

OTHER information on the financial statements

Proposed appropriation of profit

The appropriation of profit is governed by Article 25 of the Group's Articles of Association. The Group plans to propose to the Annual General Meeting of Shareholders on 13 May 2015 to charge the loss for the year against retained earnings.

Article 25 of the Articles of Association

1. The Board of Directors will decide which part of the profits will be reserved. The remaining profits of the Group shall be at the disposal of the General Meeting.

2. The Group 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 Group and any shares or depository receipts issued therefore of which the Group 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 realised 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 Group must maintain a reserve equal to the difference between these amounts.

Events after the reporting period

For information on events after the reporting period, please see note 44.

INDEPENDENT AUDITOR'S REPORT

Report on the audit of the financial statements 2014
To the shareholders and Board of Directors of ESPERITE N.V.

Our opinion

We have audited the accompanying financial statements 2014 of ESPERITE N.V. (the company), based in Zutphen. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The consolidated financial statements give a true and fair view of the financial position of ESPERITE N.V. as at 31 December 2014, and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

- The company financial statements give a true and fair view of the financial position of ESPERITE N.V. as at 31 December 2014, and of its result for 2014 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2014;

- The following statements for 2014: the consolidated statement of income, the consolidated statements of comprehensive income, changes in equity and cash flows ; and

- The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- The company balance sheet as at 31 December 2014;

- The company statement of income for 2014;

- The notes comprising a summary of the significant accounting policies and other explanatory information.

Material uncertainty related to going concern

We draw attention to Note 2 'Going concern assumption' of the financial statements which indicates that the going concern is dependent, along with other matters as set forth in Note 2, on meeting budgets and forecasts, especially for the segment Genoma and the timely availability of additional financing.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company´s ability to repay its liabilities when they become due and its ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We performed procedures to evaluate the assumptions and methodologies used by the company to prepare budget and cash flow forecasts. We discussed these with the Board of Directors and evaluated the evidence in relation to available cash resources, approved budgets and other assumptions in the cash flow forecasts.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of ESPERITE N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 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 judgment we determined the materiality for the financial statements as a whole at €174,500. The materiality is based on 1% of gross margin. We have determined gross margin as the most relevant measure for ESPERITE N.V. (earnings based company). Profit before taxes is negative and therefore not an appropriate measure. 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.

We agreed with the Board of Directors that misstatements in excess of €8,500, 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.

INDEPENDENT AUDITOR'S REPORT

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit mainly focused on the significant group entities (based on revenues, assets and gross margin and significant risks) ESPERITE N.V., CryoSave AG and CryoSave Labs N.V. We have:

- Performed audit procedures ourselves at group entities ESPERITE N.V. and CryoSave AG.
- Used the work of other auditors when auditing CryoSave Labs N.V.
- Performed review procedures or specific audit procedures ourselves at the other group entities.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of Directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the 'Material uncertainty related to going concern' section of our report we selected the following key audit matters.

Impairment of goodwill and intangible assets

Assets that have an indefinite useful life, such as goodwill, are tested for impairment at least on an annual basis. Other intangible assets (e.g. brand names, customer relationships, contracts with insurers and distributors, re-acquired rights and order-backlog) are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the cash generating units carrying amount exceeds its recoverable amount. The recoverable amount is based on certain key assumptions, such as cash flow projections covering a five-year period and the perpetual growth rate and discount rate per cash generating unit. These assumptions which are determined by the Board of Directors are judgmental. As a result the valuation of intangible assets including goodwill is significant to our audit.

Our audit procedures included, among others, obtaining an understanding of the valuation model and assumptions used, challenging the Board of Directors' assumptions and involving independent valuation experts of EY to support us in our evaluation of the model. We also focused on the adequacy of disclosures about key assumptions and sensitivity. Management's disclosures on the impairment of goodwill and intangible assets are included in note 4 and 20 to the consolidated financial statements.

Deferred revenue

There are accruals that are subject to a high level of judgment such as the accrual for deferred revenue. Due to the assumptions involved, this area is significant to our audit. As part of our procedures, we challenged management's assumptions like the costs, margin and chance of future release of samples. We considered information from both company representatives and historic data to be able to assess the reasonableness of the recorded amounts. Management has included information about these assumptions in note 4 'Critical accounting estimates and judgments'.

Responsibilities of management and the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as management 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 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 Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to

INDEPENDENT AUDITOR'S REPORT

continue as a going concern in the financial statements.

The (non-executive) Board of Directors is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.,:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Concluding on the appropriateness of the Board of Director's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Report on other legal and regulatory requirements

Report on the management board report and other information

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management board report and other information):

- We have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.

- We report that the management board report, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged by the Board of Directors as auditor of ESPERITE N.V. on December 18, 2014, as of the audit for year 2014 and have operated as statutory auditor since that date.

Zwolle, 30 April 2015
Ernst & Young Accountants LLP

signed by: D.L. Groot Zwaaftink

INFORMATION for Shareholders

Shareholders exceeding 3% on 31 December 2014	
F. Amar*	29.43%
J.P.G. Goossens	10.28%

* 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 2014		€1.49
Quotation 31 December 2013		€1.73
Highest quotation 2014		€1.85
Lowest quotation 2014		€1.49
Average daily trading volume 2014		13,058

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ABOUT THIS REPORT

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