Notes to the Consolidated financial statements

for the year ended 31 December
in thousands of euros

1 Reporting entity
ESPERITE N.V. ('the Company') is a public company incorporated under the laws of The Netherlands. 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 Company as at and for the year ended 31 December 2015 comprise the Company and its subsidiaries ('the Group') and the Group's interest in equity accounted investees and jointly controlled entities. All intragroup balances and transactions are eliminated.

The Group's first business unit is Stem Cell, 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 unit 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.

The fourth business unit is Other, which contains some other type of products and services.

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 as per 31 December 2015, 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 2015. They also comply with the financial reporting requirements included in Section 9 of Book 2 of the Netherlands Civil Code prevailing as per 31 December 2015, as far as applicable.

The consolidated financial statements were authorized for issue by the Board of Directors on 28 April 2016. The financial statements as presented in this report are subject to adoption by the Annual General Meeting of Shareholders, to be held on 9 June 2016.

b. Going concern

At the Annual General Meeting mid-May 2014, the Group 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 Group of companies: (i) CRYOSAVE, (ii) GENOMA and (iii) THE CELL FACTORY.

At the Annual General Meeting mid-June 2015 the strategy was given more direction on an operational level. To achieve this objective the Group launched project "Galaxy". The scope of project Galaxy is to consolidate and to centralize the main HQ functions including business infrastructure in Switzerland to improve organization efficiency and leverage synergies.

During 2015 and continuing in 2016 Management works on the following objectives:

- Consolidated operations
- Headcount rationalization
- Integrated sales and marketing strategies
- Laboratories integration
- Process automation

Considerable results have been achieved so far that have had a positive impact on results and ongoing future of ESPERITE. The results per Business Unit are described below.

CRYOSAVE, the Stem cell business unit, which operates also under the brand Salveo, continued to suffer of macro-economic headwinds in the main countries of its operations, fierce competition, price pressure and regulatory difficulties 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 adversely affected the financial performance of Stem Cell. To make the Stem Cell business profitable the Group achieved the following main results of the project Galaxy:

- The processing laboratory in Niel (Belgium) has been closed and the large volume of samples transferred for processing and storage to Geneva (Switzerland) since early 2016. This integration results in more efficient processing with a lower cost per processed sample for 2016 and onwards.
- Because of the increased activities of GENOMA the stronger purchasing power of ESPERITE has been applied with several suppliers. The results of the improved purchase power will impact the results as from 2016.

GENOMA was established in the last quarter of 2014. GENOMA wants to become a leader of proteomics and genetic precision medicine. GENOMA is developing highly-profitable diagnostic tests. It has created the best technology and assembled leading scientists in genetic analysis, diagnostic tests to build a unique portfolio of exclusive new-generation genetic tests. During 2015, ESPERITE proved that there is an existing market for GENOMA's products. Although the necessary and substantial 2015 investments in penetrating the market were behind schedule the 2015 sales gave confidence for a healthy development in

2016 and thereafter. The growth pattern in the first months of 2016 confirms this prognosis. Besides the sales in the CRYOSAVE markets, additional marketing and sales activities have been started in other geographical areas like Germany, France, Turkey and India.

In 2015 the GENOMA established its own laboratory and started to perform most of GENOMA tests in house. In addition, the acquisition of INKARYO to develop the Group proprietary technology, will support the best possible quality of service. During 2015 investments have been made to validate the INKARYO software with the aim to develop a standalone platform. Thanks to the INKARYO software for eKaryotyping and chromosomal analysis, During 2016 GENOMA will unveil new technology that will decrease the cost significantly.

Following the important declining trend in the cash position of the Group in 2015, 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 2015.

For ESPERITE 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 business unit and a strong growth in Genomics and precision medicine. Management anticipates a recovery of the profitability in CRYOSAVE and to bring GENOMA at the level of break-even during 2016. Management has confidence to meet those expectations. This outcome however is uncertain as a major part of the anticipated revenues are not yet confirmed. Management also refers to note 20 in the financial statements on Intangible Assets and impairment testing which describes the impact of the aforementioned uncertainties relating to the strong revenue growth for mainly GENOMA on the valuation on Intangible Assets.

As per 31 December 2015, the Group recorded €1.4 million cash and cash equivalents of which €0.9 million was provided as collateral for a bank guarantee. In order to execute on the new strategy of ESPERITE, Management acknowledges that the free cash available is not sufficient at the moment.

The Group expects to be able to achieve the forecasted revenue growth. During 2015 substantial investments have been made in market development and training the sales forces. GENOMA realized an average 10% monthly sales growth during 2015. This trend is expected to continue for 2016. Furthermore, the Group expects to be able to redeem the outstanding debts to its main suppliers during 2016. For some suppliers, the Group has agreed payment plans in order to reduce its debt or to renegotiate payment terms.

Going concern is mainly dependent on meeting budgets and forecasts. Notwithstanding the specified uncertainties Management is of the opinion that the application of the going concern assumption for the 2015 financial statements is appropriate, based on the following facts and circumstances:

- The CEO invested almost EUR 1 million in the Group by transferring his current account into a long term convertible bond during 2015.
- Salveo Holding extended its guarantee given last year to support going concern by another 12 months from the date of these financial statements. The total amount of the guarantee amounts to €2.0 million
- The adoption of GENOMA products by the market has been proven during 2015. There is an increased appetite in the market and new sales are added every month.
- Although current revenues are approximately 5% below budget 2016, management still expects sufficient liquidity and guarantee facilities to operate the business without interruption. The contribution of some new markets is expected to grow more strongly from Q2 2016. The Group also plans to have some introductions of new products which are not budgeted.
- In a scenario that future performance and cash flow developments are less favorable than current business forecasts, Management believes the Group has various and sufficient options available to 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.

On 21 April 2016 the Group took notice of a press release issued by Illumina Inc. and its wholly-owned subsidiary Verinata Health Inc., that these companies have filed a patent infringement suit against GENOMA SA, in the Federal Patent Court in Switzerland. The patents asserted are European Patent (CH) 2 183 693 B1, European Patent (CH) 0 994 963 B2, European Patent (CH) 1 981 995 B1, and European Patent (CH) 2 514 842. The patents are directed to using cell-free fetal DNA for non-invasive prenatal testing (NIPT). Based on the currently available information, GENOMA's Directors hold a firm belief GENOMA does not infringe the patents as claimed by Illumina. At this stage the Group is not able to determine the exposure and impact on the going concern, if any, relating to this patent infringement suit.

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

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.

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. Subsequent changes in the fair value of the contingent consideration are recognized in the income statement.

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

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

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

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

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

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

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

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

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

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

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

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 2015	**Statement of income 2015**	Statement of financial position 31 Dec 2014	Statement of income 2014
Bulgarian leva	**1.96**	**1.96**	1.96	1.96
Hungarian forint	**314.25**	**309.31**	314.97	308.43
Serbian dinar	**121.91**	**120.72**	121.38	116.98
Swiss franc	**1.05**	**1.05**	1.22	1.22
South African rand	**17.02**	**14.25**	14.05	14.34
United States dollar	**1.09**	**1.11**	1.22	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 intercompany loans for which settlement is neither planned nor likely to occur in the foreseeable future. Exchange rate differences arising from the translation of the net investment in foreign operations are taken to the currency translation reserve in shareholders' equity through OCI.

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

Intangible assets
Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets and liabilities of the acquired subsidiary, equity accounted investees or joint venture at the date of acquisition. Goodwill recognized for acquisitions represents the consideration made by the Group in anticipation of the future economic benefits from assets that are not capable of being individually identified and separately recognized. These future economic benefits relate to, for example, opportunities with regard to cost efficiencies such as sharing of infrastructure.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of equity accounted investees is included in investments in equity accounted investees and consequently not tested for impairment separately. Such goodwill is carried at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity that is sold.

Goodwill acquired in a business combination is not amortized. Instead, the goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

Goodwill is allocated to the cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Identified intangible assets
Intangible assets identified in an acquisition, such as customer relationship, brand name, contracts with insurers and distributors, order backlog and re-acquired rights are initially valued

against fair value. Subsequent to initial recognition these assets are measured at cost less accumulated amortization and accumulated impairment losses.

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

Brand name	20 years - 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. Goodwill and indefinite life intangibles are tested for impairment annually independently whether such a indication exist. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

An impairment loss in respect of goodwill is not reversed.

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

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

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

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Financial assets
Investments are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract which terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, 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 instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized as a gain in the statement of 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 stem cell 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 utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

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

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

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

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

Borrowings payable within one year are classified as current liabilities.

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 (retained earnings).

Dividends are recognized as a liability upon being declared.

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

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

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

Net interest is calculated by applying the discount rate to the net defined benefit liability/(asset). The Group recognizes the following changes in the net defined benefit obligation under 'cost of defined benefit plans' in consolidated statement of profit or loss (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

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

Revenue in respect of fees charged for servicesare recognized when they are performed. Revenue in respect of fees charged for the subscription of the service is recognized upon enrolment.

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

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

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

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

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

Expense on research or the research phase of an internal project is recognized as an expense when incurred.

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

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

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

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

Earnings per share
Basic earnings per share is calculated by dividing the profit or loss attributable to the equity holders of the Company by the weighted average number of shares outstanding during the period, excluding the average temporarily repurchased shares.
Diluted earnings per share is calculated by dividing the profit attributable to ordinary

equity holders of the parent (after adjusting for interest on the convertible loan notes) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. Hence, these convertible loan notes had no dilutive effect.

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

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

Segment 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.

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 depend on the discount rate used, which is the estimate of weighted average costs of capital for the cash generating unit concerned. The key assumptions used and sensitivity analyses are provided in Note 20.

Identified intangible assets
Intangible assets such as brand name, customer relationship, contracts with insurers, distributions contracts, re-acquired rights and backlog are identified as intangible assets at the acquisition date. The fair value of these intangible assets is determined using estimates, the most significant being the expected cash flows attributable to the brand name, customer relationship, contracts, re-acquired rights and the discount rate used.

The expected future cash flows are based on the most recent long-term forecast from the perspective of the purchased entity. The discount rate used is the estimated weighted average cost of capital for the unit concerned. The estimates and assumptions might not sustain in the future. The key assumptions used and sensitivity analyses are provided in Note 20.

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

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

New accounting policies effective for 2015

Annual improvements to IFRSs 2010-2012
Annual improvements to IFRSs 2010-2012 Cycle made a number of amendments to various IFRSs, which did not have a significant effect on the consolidated financial statements.

IFRIC 21 Levies
IFRIC 21 addresses the issue of when to recognize a liability to pay a levy imposed by a government. The interpretation defines a levy and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The adoption of IFRIC 21 does not have a significant financial effect on the consolidated financial statements of the Group.

New accounting policies not yet effective for 2015
The IASB issued several standards or revisions to standards that are not yet effective for 2015, but will become effective in coming years.

Statement of Cash Flows – Amendments to IAS 7
The amendments require a reconciliation of the amounts in the opening and closing statements of financial position for each item classified as financing in the statement of cash flows.

Plant and Equipment and IAS 38 Intangible Assets – Amendments to IAS 16
The amendments are applied prospectively and clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

Contributions from employees to defined benefit plans – Amendments to IAS 19
The objective of the amendments was to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The simplification was to allow entities the option to recognize employee contributions as a reduction of service costs in the period in which the related service is rendered, instead of attributing the employee contributions to periods of service. The amendments have no impact on the Group.

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

Amendments to IAS 1, “Disclosure Initiative,” clarify existing disclosure requirements. Most of the amendments were made to address interpretations of the original wording in IAS 1. Specifically, the amendments allow preparers more freedom in applying materiality when deciding what must be disclosed, even if a standard requires specific disclosures. Other disclosure clarifications relate to the presentation order of notes and the use of subtotals to further disaggregate required disclosures. The amendments to IAS 1 apply prospectively for annual periods beginning on or after January 1, 2016. The Company does not anticipate that the application of these amendments to IAS 1 will have a significant effect on the results of future consolidated financial statements, but they may alter the manner in which certain financial information is presented.

IFRS 9, "Financial Instruments," addresses the classification, measurement and recognition of financial assets and financial liabilities. The Company does not anticipate that the application of this standard will have a significant effect on the results of future consolidated financial statements financial assets and financial liabilities. IFRS 9, as amended in July 2014, is effective for annual periods beginning on or after January 1, 2018.

IFRS 15, "Revenue from Contracts with Customers," establishes a single comprehensive model for entities to use in accounting for revenue from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue," IAS 11 "Construction Contracts," and the related Interpretations when it becomes effective for annual periods beginning on or after January 1, 2018. Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e., when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in IFRS to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The Company is in the process of evaluating the full impact of IFRS 15, but to date has not identified issues that would have a significant effect on the future consolidated financial statements.

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

Amendments to IFRS 11, "Accounting for Acquisitions of Interests in Joint Operations," provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 "Business Combinations." Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The amendments to IFRS 11 apply prospectively for annual periods beginning on or after January 1, 2016. Based on the Company's current financial position it does not anticipate that the application of these amendments to IFRS 11 will have a significant effect on the future consolidated financial statements.

Amendments to IAS 12, "Income Taxes," were made to address diversity in practice surrounding the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value, as well as provide additional guidance on how deductible temporary differences should be measured in situations when tax law limits the offsetting of certain types of losses against specific sources of taxable profits. The amendments to IAS 12 apply prospectively for annual periods beginning on or after January 1, 2017. The Company is in the process of evaluating the full impact of the amendments.