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Sanquin
Blood Supply

Annual Accounts 2012

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Key figures

Donor base	2012	2011
Number of registered donors	387,825	398,379
Number of recorded donors*	379,846	389,350
Donation frequency of whole blood donors per year	1.52	1.63
Donation frequency of plasmapheresis donors per year	5.86	5.88
Number of donors per 1,000 inhabitants	22.6	23.3

Number of donations	2012	2011
Total number of donations	819,301	885,836
Number of whole blood donations	498,117	538,282
Number of apheresis donations	321,184	347,554

Use	2012	2011
Use of red blood cell concentrates	506,671	544,324
Number of platelets (from whole blood in donor units)	285,643	290,623
Number of units of fresh frozen plasma	78,352	89,631
Kilos of plasma in total (incl. apheresis) supplied to Plasma Products division	317,501	347,044

Proportion of donors and supply of red blood cells	2012	2011
Whole blood donors	328,576	329,283
Erythrocytes supplied	506,671	544,324

Results (€ millions)	2012	2011
Net turnover	385.1	381.2
Operating result (EBIT)	25.5	21.0
Net profit	23.3	20.1
Available cash flow	-2.0	-11.6

Balance Sheet Data (€ millions)	2012	2011
Group capital	325.5	301.6
Net liabilities	-42.1	-46.1
Balance sheet total	466.0	419.4
Capital employed	378.4	350.3
Investments in tangible fixed assets	41.1	45.5

Ratios (%)	2012	2011
Return on capital employed	6.7	6.0
Current ratio	3.3	3.8
Operating result/turnover	6.6	5.5
Net profit/turnover	6.1	5.3

Average number of employees (FTEs)	2012	2011
Average number of employees (FTEs)	2,498	2,545

*) *Excluding donors who have been registered but who have not donated yet.*

Annual Report

From the Chairman

Downsizing and growth. In 2012, these two seemingly contradictory developments played a major role in our organisation. On the one hand, there was the reorganisation in the Blood Bank division, forcing us to say farewell to a number of colleagues. On the other hand, the Plasma Division grew significantly. Yet the developments can be linked in a logical fashion; both were born out of our efforts to ensure the best possible supply of blood and plasma products.

Sanquin Blood Supply is an organisation rooted in Dutch society. This is reflected in the hundreds of thousands of selfless donors who voluntarily gave blood in 2012. Our participation in the Serious Request fundraising effort by radio station 3FM also clearly illustrates our strong social commitment. Sanquin employees collected € 60,000 for this fundraising effort, destined for the Red Cross.

Cost-effectiveness

In addition to quality and service, the health care sector - and thus the blood bank - is also expected to focus strongly on cost-effectiveness. Sanquin will cut costs by at least 6% (€ 11.6 million) by 2015. We will achieve this by making changes to the organisation: from increasing centralisation of support staff and further tailoring of operational functions to decreasing demand for blood and blood products, screening and adjusting product lines (after consultation with hospitals), and evaluating current test panels for diagnostic screening (in consultation with external specialists). Maximum patient safety remains the key principle in addition to the aspects outlined above.

Global entrepreneurship

In order to remain efficient and competitive in the field of plasma products, it is necessary to operate at the international level, with the corresponding increase in volumes. Significant scale increases have been made possible by the contract signed with the US pharmaceutical company Baxter in 2012; we will be processing US plasma for the US and other markets.

Innovation

Research and innovation are of vital importance to finding clinical solutions for unsolved medical problems. Our researchers, often in close cooperation with Dutch and international scientific institutes, made a significant contribution to the field this year, with 12 dissertations, 175 papers in peer reviewed journals.
I was also proud to officially open the Laboratory for Cell Therapy in November 2012. In addition to processing stem cells, this state of the art laboratory offers innovative cell therapy products. With five clean rooms and a staff of specialists, the laboratory can cooperate extensively with other centres and thus operate productively and efficiently.

A changing world

In 2012, our response to the changing world was innovation and global entrepreneurship, with unflagging, intense attention for our social mandate. Our attention to donors, patients and other stakeholders, and their satisfaction with our quality, service, price and added value, will determine our future.

Aart van Os,
Chairman Executive Board

Executive Board Report

Membership

In 2012, the members of the Executive Board were:

- T.J.F. Buunen, PhD (Chairman until 1 September 2012)
- A. van Os (Chairman from 1 September 2012)
- H.J.C. de Wit DPharm (Vice Chairman)
- Prof R.A.W. van Lier,MD PhD (Member)
- H.M.H. de Bruijn-van Beek, LLM (Executive secretary)

After working for Sanquin Blood Supply and its legal predecessors for 28 years, Mr T.J.F. Buunen went into early retirement. As of 1 September 2012 the Supervisory Board appointed Mr A. van Os as Chairman of the Executive Board.

Mission

The Blood Supply Act aims to safeguard the quality, safety and availability of blood and blood products in The Netherlands. Sanquin supports this goal:

The Foundation works on a not-for-profit basis to secure blood supply and to promote transfusion medicine in such a way as to meet the most stringent quality, safety and efficiency requirements. It provides products and services, conducts scientific research and offers education, training and continuing education.

Thanks to the input and dedication of hundreds of thousands of Dutch blood donors, we are able to execute our mission.

In addition to the annual accounts as required by law, Sanquin also consolidated the financial results of CAF-cvba in Brussels and Sanquin Oy in Helsinki in this annual report. CAF is the Belgian plasma fractioning institution, which Sanquin has owned 50.01% of since 2008. The remaining 49.99% is owned by the Belgian Red Cross and the French LFB. Sanquin Oy is a small Finnish subsidiary that handles contacts with Finnish clients.

Meetings

The Executive Board held 51 meetings in 2012. Additional meetings take place as required. Members of the Sanquin Management Teams are invited to the meetings at the Board's request. All decisions are recorded in decision lists and minutes. The Executive Board adheres to the Sanquin Corporate Governance Code and the Governance Regulations, which contain rules and standards for good governance, effective oversight and clear accountability.

Current Events

The Executive Board extensively addressed the following subjects, which are of strategic importance for the future of the organisation.

Reorganisation Blood Bank division

The Minister of Health, Welfare and Sport imposed cutbacks on all actors in the care sector. The Minister also demanded the Blood Bank division operate on 6% less budget. This is in line with the 'Blood Bank 2015' efficiency programme that Sanquin had already initiated.

The price of blood products was a matter of media and political interest. The prices of blood products with limited shelf-life are higher in the Netherlands than in a number of other European countries. Quality criteria for the supply of blood products differ from country to country, as do the pricing and financing methods for blood products and the product range on offer. This makes it difficult to compare prices. In addition to the ongoing efficiency projects Sanquin conducts, it will also be investigating whether revising the product assortment and the number of safety checks will lead to adjustment of prices, without negatively affecting patient care.

International collaboration

Sanquin entered into a contract with Baxter, a US pharmaceutical company, in 2012. Sanquin will process Baxter's plasma for the preparation of clotting factors, albumin and immunoglobulins that are used for the treatment of, among other things, haemophilia, burns and diseases where the body's protection against infections or the body's own cells is disturbed. This step serves to strengthen Sanquin's solid foundations, and thereby those of the Dutch blood supply.

Expanding Cinryze manufacturing

The US Food and Drug Administration (FDA) gave permission for large-scale manufacture of the drug Cinryze in 2012. Sanquin has been manufacturing Cinryze on a smaller scale since 2010. In order to meet the demand for Cinryze, the decision was made to expand manufacturing capacity. The product is manufactured using US plasma in cooperation with Sanquin's US partner ViroPharma. This way, US patients with hereditary angio-oedema can be treated with a highly effective drug that has been available in the Netherlands for a long time already.

Participation in Xenikos

Sanquin Blood Supply has been participating in Xenikos since 19 June 2012. Xenikos BV is a biotech company involved in the development of an experimental drug, T-Guard®. T-Guard® is based on the effects of antibodies in combination with a toxin. The drug can 'reset' a patient's immune system by quickly and efficiently destroying unwanted T-cells. It can be used to combat life-threatening rejection after transplantation. It may also be effective in treating certain auto-immune diseases. The required experimental drug for the clinical studies will be manufactured by Sanquin Pharmaceutical Services (SPS) under pharmaceutical conditions.

External contacts

Ministry of Health, Welfare and Sport

Frequent consultation took place on both managerial and ministerial levels in 2012. Key topics for discussion included (in addition to Sanquin's budget and policy plan): the future of the cord blood bank, Sanquin's role in the blood supply on Bonaire, the results of the (follow-up) study requested by the Ministry of Health, Welfare and Sport into the cost-effectiveness of the public section of the organisation and the costs of plasma products by Sanquin, replacement of Quarantine Plasma for transfusion by SD plasma, the recommendations in the Electricity and Telecom capacity advisory report, elimination of Sanquin from the list of services approved for tender, collection of plasma for the theoretical demands in the Netherlands, and changes to the Blood Supply Act. Donor selection policy, particularly the exclusion as donors of men who have had sex with men, was a topic of discussion too. The minister asked Sanquin to give insight into the wish to be a donor, and the risk perception, among the MSM target group, and, in addition, to assess the effect of a revision. Sanquin initiated a study in response to this request.

Ministry of Defence

As in previous years, Sanquin maintained contacts with the Ministry of Defence with regard to the blood supply for the armed forces. One issue for discussion was cooperation in research and with Clinical Consulting Services. Additionally - together with the Ministry of Health, Welfare and Sport - the possibilities for supplying lyophilised plasma were discussed, a product not manufactured by Sanquin but that is imported from Germany.

European cooperation

Sanquin is represented in the European Blood Alliance (EBA) and the International Plasma Fractionation Association (IPFA). Sanquin employees are working together with European colleagues to update the Council of Europe's "Guide to the preparation, use and quality assurance of blood components".

Patient Organisations

Sanquin maintains constructive contacts with a large number of patient organisations. This includes the following organisations:

National:

- Stichting AfweerStoornissen
- Nederlandse Vereniging van Hemofilie Patiënten
- Vereniging Spierziekten Nederland
- Patiënten vereniging voor Hereditair Angio Oedeem en Quincke's Oedeem
- ITP (Idiotypische Trombocytopenische Purpera) Patiëntenvereniging Nederland
- Stichting Zeldzame Bloedziekten
- Stichting StiKa (Ziekte van Kawasaki)
- Nederlands Patiënten Consumenten Federatie
- OSCAR (Organisation for Sickle Cell Anemia Relief)
- Stichting AA & PNH Contactgroep (Aplastische Anemie en Paroxismale nachtelijke hemoglobinurie)
- Stichting Contactgroep Leukemie

International:

- Patient Association for Hereditary AngioEdema International
- European Haemophilia Consortium
- US HAE Association (HAEA)
- Thalassaemia International Federation

Blood product users

User councils operate at the regional level, with representatives from hospitals and Sanquin in attendance. Representatives from hospitals are also members of the National Users Council (LGR), which advised the Executive Board on logistics and service provision in 2012, as it has in the past.
The key topic of discussion in the LGR was Sanquin's plan to restructure the Blood Bank. The LGR outlined a number of requirements for implementing Sanquin's plan to reduce the number of distribution centres and change the location of a number of them. The LGR also discussed the introduction of SD plasma as an alternative for quarantine plasma for transfusion; the results of customer satisfaction surveys and the frequency thereof; changes to the patient information brochure and the issue of blood group-specific platelets. The LGR also requested updates on the state of affairs regarding full donor typing.

Sanquin is represented in both the Netherlands Association of Haemophilia Treatment Professionals and the Interuniversity Working Group for the Treatment of Immune Deficiencies.

The Executive Board looks back on the reporting year with satisfaction, and looks to Sanquin's future with confidence.

Amsterdam, June 13th 2013
Executive Board

Report from the Supervisory Board

Membership

In 2012, the Supervisory Board consisted of:

- J.H. Schraven, LLM (Chairman)
- Prof F.C. Breedveld, MD PhD
- Prof B. Löwenberg, MD PhD
- M. van Rijn (until June 2012)
- K. Bergstein (from September 2012)
- H.M.H. de Bruijn-van Beek, LLM (Secretary)

The statutory retirement of Board Member Schönfeld in 2011 created an opening on the Board that was only filled in September 2012. Mr Schönfeld was willing to stay on temporarily as an advisor to the Supervisory Board until that time. As of 1 September, K. Bergstein was appointed to the Supervisory Board.

Report

The Board supervises the Executive Board's policies and the general course of affairs at Sanquin. The Supervisory Board also provides advice regarding Sanquin's strategy and activities and makes decisions about important proposals submitted by the Executive Board. In this annual report, the Board gives an account of its activities during 2012. The Sanquin Corporate Governance Code, adopted by the Board, contains rules and codes of conduct for good governance, effective supervision and clear accountability. The Board met four times in 2012. In addition, the members of the Supervisory Board maintained individual contact with Sanquin managers and employees. One of the members of the Supervisory Board discussed the draft for the 2011 annual report with the external accountant, the corporate controller and the chairman of the Executive Board.

The Supervisory Board approved the policy plan, 2013 budget and Mid-term Plan. Financial reports, the 2011 annual report and annual account, and the accountant's report were discussed while the accountant was present. As is customary, the Supervisory Board also discussed the risk inventory drafted by the Executive Board and the corresponding management measures.

All but one of the investments proposed by the Executive Boards were approved. The Supervisory Board had a number of questions regarding investments in one of the Plasma Products buildings.

After being formulated during the plenary meetings, the Supervisory Board approved a contract with Baxter for the preparation of intermediate and final products using Baxter raw materials (plasma and other intermediate products) in a written procedure. Baxter has issued a loan that allows investments to enable Baxter to perform contracted manufacturing for 10 years.

The Supervisory Board also approved Sanquin's collateral provision for a loan from Agentschap NL to the Dutch Biotech start-up Xenikos, which is developing a drug against Graft-versus-Host Disease. The Supervisory Board had agreed to Sanquin's participation in this start-up in 2011.

The Supervisory Board took note of the Minister of Health, Welfare and Sport's position on the study by ConQuaestor, commissioned by the ministry in 2010. The study investigated the long-term sustainability of the supply of plasma products by Sanquin and the pricing structure for deliveries between Sanquin's public and private sections. In her letter to Parliament, the Minister indicated she would ask Sanquin to implement measures to ensure the blood bank's equity capital does not bear the risk for the company's private activities, and vice-versa. The Supervisory Board discussed an initial exploration of the options to achieve this with the Executive Board.

The Supervisory Board requested updates on the progress of the reorganisation within the Blood Bank division. Agreement was reached with the unions regarding a redundancy package in the spring. The Works Council issued a positive recommendation regarding the reorganisation plan, with a number of conditions. The Board also requested updates on Sanquin research strategy and ambitions regarding tissues (including cord blood) and addressed Sanquin's approach to external and internal communication. The Supervisory Board took note of the measures Sanquin has taken to ensure the quality of the blood supply.

The Supervisory Board places great value on the voluntary and selfless nature of blood donations in the Netherlands, and believes that donors have a right to expect good, friendly service from Sanquin.

On 26 April, the chairman of the Supervisory Board discussed with the Works Council the general course of affairs within the organisation.

On the selection committee's recommendation, the Supervisory Board decided to appoint Mr A. van Os as chairman of the Supervisory Board on 1 September, replacing Mr T.J.F. Buunen, who retired and stepped down on that date. On 27 September, the organisation said farewell to Mr Buunen, whose major efforts for Sanquin and its predecessors over the past 27 years will long be remembered.

With the ministry of Health, Welfare and Sport, the Supervisory Board discussed remuneration for Executive Board members, which will comply with planned legislation (the Earnings Standards for (Semi) public Organisations act (Wet normering Topinkomens (semi)publieke organisaties)) that came into effect on 1 January 2013.

As shown in the overviews elsewhere in this annual report, the Supervisory Board membership amply met the statutory expertise and experience requirements.

The Supervisory Board evaluated both its own operations as well as those of the Executive Board and established that its members are sufficiently independent. The decision-making procedure in the Supervisory Board is designed in such a way as to avoid any conflict of interest. The Supervisory Council appointed K. Bergstein in September 2012, filling the vacancy left by Schönfeld.

Quality, safety and availability of blood products in 2012 were made possible thanks to the strong involvement and efforts of donors.
The Supervisory Board is deeply thankful to them and to all Sanquin employees for the way that they achieved Sanquin's goals together.

Amsterdam, June 13th 2013
Supervisory Board

1. Objective and core activities

The Blood Supply Act (Wet inzake bloedvoorziening) aims to safeguard the quality, safety and availability of blood and blood products in the Netherlands. Sanquin has embraced this objective. Sanquin's mission statement reads:

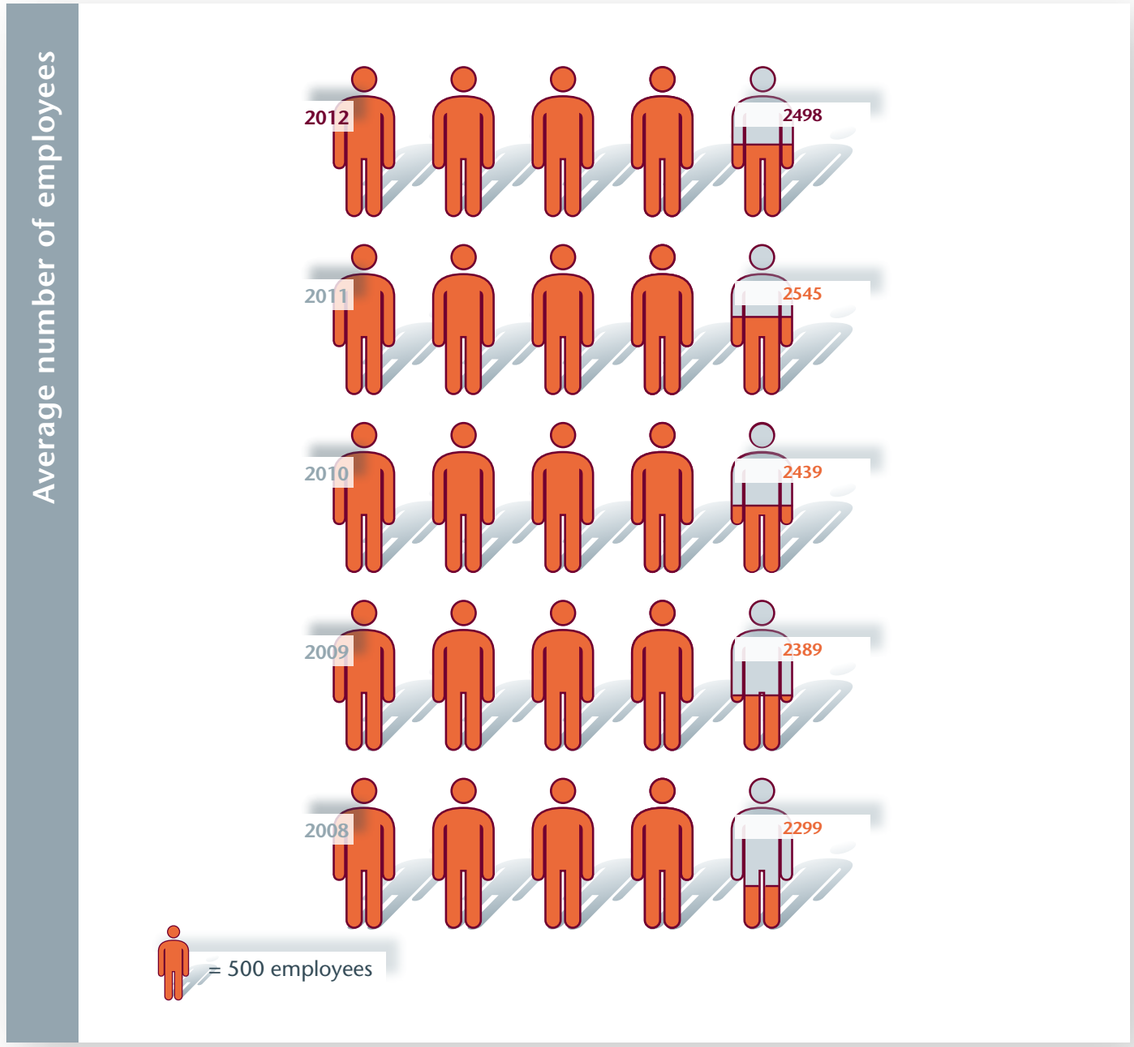
On a non-profit basis the Foundation works to provide blood products and to promote transfusion medicine, in such a way as to meet the most stringent quality, safety and efficiency requirements. It provides products and services, carries out scientific research and offers education, training, refresher courses and further training.

The Blood Bank division collects blood from donors. The blood is tested and separated into red blood cell concentrates, blood platelets and plasma. These products – with the exception of the major part of the plasma – are supplied to the Dutch hospitals. Blood products and intermediate products are sometimes made available to research institutes for research purposes.
For the major part, plasma is supplied to the Plasma Products division. In that division the various proteins are removed from the plasma and processed into medicinal products, such as clotting factors for the treatment of haemophilia, albumin for (among other things) the treatment of burns and immunoglobulins for e.g. patients who suffer from a shortage of antibodies. These stable blood products are sent to pharmacists, hospitals and the pharmaceutical wholesale trade. Plasma contains many different proteins which form the basis for the medicinal products to be prepared. Sufficient plasma is collected to meet the demand in the Netherlands for the most rare protein. Because of the nature of this preparation process proteins are also left over. The proteins that are not needed for the Dutch market are exported for therapeutic use outside the Netherlands.

The Diagnostic Services division carries out all test activities of donations for the blood banks. In addition, this division also provides a large number of services in respect of specialist blood research to hospitals.
The Foundation's scientific research is concentrated in the Research division. Together with academic medical centres and many general hospitals the division works at a coherent clinical and social research programme. Part of the research budget is financed by a surcharge on the prices of short shelf-life blood products. In addition, funding takes place from external subsidies, contract research and co-development.
Revenues of the Plasma Products and Diagnostic Services divisions are also used for Research & Development (R&D).
Within the Reagents division test reagents are developed and produced which are used in laboratories of e.g. hospitals, blood banks and universities.
The Pharmaceutical Services business unit develops production processes based on mammal cell culture and protein technology with the aim to bring new biological medicines on the market, in cooperation with the pharmaceutical industry. In addition, specialist quality controls are carried out on commission.

2. Legal structure and Corporate Governance

Sanquin's activities in the Netherlands are carried out in a Foundation. In conformity with competition legislation Sanquin's administrative organisation has been organised in such a way that a distinction can be made between the commercial activities and the public activities of the blood banks.



In Belgium Sanquin participates for 50.01% in CAF. This enterprise (Cooperative Company with Limited Liability) in which the Belgian Red Cross and the French plasma fractionation organisation LFB also participate, exploits a fractionation facility in Belgium. Sanquin Oy in Finland is a wholly-owned subsidiary of Sanquin.
The principles of the Tabaksblat Code fit in well with Sanquin's articles of association and administrative organisation.
However, the Code itself does not directly and fully apply to a Foundation such as Sanquin. The Dutch Hospitals Association NVZ has adopted a Corporate Governance Code for the health care sector on the basis of a model. This code too is not applicable in all respects, as Sanquin is not a health care institution. Sanquin has therefore decided to draw up and implement a code of its own. In 2006 the Supervisory Board adopted this Corporate Governance Code for Sanquin.

3. Personnel and organisation

During the year 2012, the company employed 2,498 people on average, based on full-time employment (2011: 2,545). 233 of these employees were working abroad (2011: 207).
The sickness absence rate (excluding maternity leave) increased slightly from 4.7% in 2011 to 4.8% in 2012.

4. Development during the financial year

Lower costs, same quality

2012 was a tumultuous year for the Blood Bank division. A great deal happened both at Sanquin and in the world around us. The first concrete consequences of the previously launched 'Blood Bank 2015' reorganisation were felt: we had to say goodbye to a number of colleagues. Additionally, the decision was made to reduce the number of distribution points from eleven in 2013 to seven by the end of 2014.

Independent consultancy ConQuaestor examined Sanquin's cost structure. The Minister of Health, Welfare and Sport responded to the report in July, prompting Sanquin to continue its critical examination of a number of business processes. While these changes were in progress, we continued to ensure that enough safe blood was available for everyone that needed it.

Blood Bank Efficiency Programme 2015

The Minister of Health, Welfare and Sport imposed cutbacks on all actors in the health care sector. Dutch hospitals saw their budgets reduced by 6%. The Minister also demanded that the Blood Bank division operate on 6% less budget. This represents an € 11.6 million decrease from 2015. This is in line with the 'Blood Bank 2015' efficiency programme that Sanquin had already initiated. The first consequences of these cutbacks were seen in 2012.

Blood Bank 2015: fewer distribution points

Following extensive discussion with the National Users Council, the Executive Board decided to reduce the number of distribution points from 11 to 7. These outlets supply hospitals throughout the Netherlands with blood products. This includes both planned restocking as well as emergency supplies. The plan to downsize to

seven distribution points will result in over 2 million euros of cost savings, while maintaining the quality of our service provision. All hospitals (except two, as is already the case) can be reached within one hour, while hospitals that purchase a large number of special products can generally be offered a 30 minute delivery window. Logistics consultant Ortec advised us on the location and number of distribution points required to maintain the same high quality of service. Some hospitals were concerned that fewer distribution points would automatically mean less service. Pleun van Toledo, Distribution and Customer Service manager responds: "We take these concerns very seriously. We will perform a baseline measurement of delivery times for a number of reference hospitals in order to calculate the new delivery times. We hope this will address the hospitals' concerns."

Blood Bank 2015: redundancy plan and placement procedure for employees

Blood Bank 2015 has resulted in downsizing 120 to 130 full-time positions. A series of measures and the social consequences of the reorganisation were discussed in depth with the labour unions. These meetings resulted in an extensive, solid redundancy plan on 4 April 2012, which was approved by the Works Council. The placement procedure for employees whose former function was downsized commenced in June 2012. The number of job opportunities is growing, however, in another part of Sanquin, the Plasma Products division, thanks to the major growth it is experiencing. Interested employees have the opportunity to transfer from Blood Bank to Plasma Products.

Follow-up study by ConQuaestor into Sanquin cost structure

The minister of Health, Welfare and Sport responded to the report 'Sanquin cost accountability and the sustainability of the plasma product supply' by independent consultancy ConQuaestor on 10 July 2012. The minister supported the report's conclusion that the plasma supply is in good hands with Sanquin. She also emphasised the importance of efficiency. Sanquin endorses this. However, we have a few critical comments regarding some of the minister's statements.

Product line under review

The Sanquin blood bank offers a broad spectrum of blood products. This includes products that are only occasionally required, as they may be of vital importance to vulnerable patients without notice. This also applies to the preparation of orphan drugs: medicines for rare diseases. This is one of the special facilities offered by Sanquin's private section. ConQuaestor has indicated that it may be possible to reduce the number of different products - and thus costs. The Sanquin Medical Advisory Board is currently examining whether a smaller product line is feasible without negatively affecting patient care. We are also examining whether we can reduce the number of tests by dispensing with those that no longer offer clear added value. Greater clarity on these issues is expected in 2013.

Meanwhile, the Blood Bank performed very well!

Despite the internal and external developments, Blood Bank services remained at the desired high level of quality. Thanks to the efforts of our employees and the hundreds of thousands of donors who gave blood, sufficient supplies of safe and healthy blood were available for everyone who needed it. Blood donor turnout was strong in 2012.

No donors, no blood supply

Sanquin Blood Supply cannot exist without the almost 400,000 selfless volunteer donors. We once again honoured the regular contributions from blood donors in 2012 on World Blood Donor Day. There was also additional attention for donors during the brainstorm session with the National Donor Council, the deployment of a new Mobile Donor Center (MDC), and the completion of part of the long-term study 'DonorInZicht' (DonorInSight).

World Blood Donor Day

Every year, 14 June is World Blood Donor Day. It is a day for honouring blood donors, who save thousands of lives every day by donating their blood. The theme for 2012 was 'Donors are heroes'. Why? After donating 35 times, blood donors can assume they deserve a reward, because they have saved at least one life. On the World Blood Donor Day, Sanquin Blood Supply honoured donors in a special way: their picture was taken and they received a goody bag with gifts. A documercial with nine-time Dutch figure skating champion Karen Venhuizen was aired on television all day. She also received drugs made out of plasma. In the short clip, she explains why donors are her real heroes.

Brainstorm session with National Donor Council

The National Donor Council exists for the donors, by the donors. Among other things, this council helps consider how Sanquin can best show its appreciation for blood donors. The council held a brainstorm session about this. On a national level, donors are all thanked the same way: with a bronze, silver or gold pin. The brainstorm session revealed that there is a need for a more personal form of thanks, taking regional differences into account. The greatest need among donors was personal attention and support during a donation.

New Mobile Donor Centre

Mobile Donor Centres (MDCs) are large, modern trailers that can be deployed anywhere and 'unpacked' to allow donors to give blood on site, with extended opening hours. We started with a small version. The success led to the deployment of larger MDCs throughout the country. Everyone is enthusiastic about these ready-to-use donor centres: Sanquin staff, donors, and passers-by alike. In 2012, we reached out to three quarters of the Netherlands with our MDCs.

DonorInZicht

The second part of the large-scale scientific study DonorInZicht was launched in 2012. Using scientific concepts from the field of psychology, this study provides insight into what motivates people to become blood donors and remain donors and how donors experience donation. Wim de Kort, Donor Affairs unit director, comments: "Response to this study is greater than in comparable studies: 60 to 70% of donors are participating. This goes to show how involved donors are! We are happy and proud of the turnout."

Scaling up Plasma Products division safeguards continuity

In 2012, Sanquin signed a contract with Baxter, an American pharmaceutical company. With this step, Sanquin reinforces its solid foundations and those of the Dutch blood supply.

The contract states that Sanquin will process Baxter's plasma for the preparation of clotting factors, immunoglobulins and albumin destined for the US and other markets. These products are used to treat conditions including haemophilia, burns, and diseases in which protection against infections or the body's own cells is disrupted.

Contract with Baxter

Sanquin has significantly increased its manufacturing capacity with an eye to the future. This future has come rushing in thanks to the contract with US pharmaceutical company Baxter. In order to continue manufacturing in a cost-effective manner, Sanquin must target a larger market than the Netherlands alone. To illustrate the volume increase, 10 years ago, Sanquin processed about 200,000 litres of plasma per year. This figure was 300,000 for 2012. In a few more years, once Baxter manufacturing is up and running, that total - including both Dutch and international plasma - may increase to 2.2 million litres. Robert Tiebout, Plasma Products division director, comments: "This means, in cooperation with our partners, many products for many patients in countries all over the world. We have tackled the required scale increase so successfully that our manufacturing capacity for plasma products will soon be seven times greater than that required to serve the Dutch market." Of course, this increase also requires more staff: the division will have to add 200 full-time employees to meet all contractual obligations.

Expanding Cinryze manufacturing

In addition to the major contract with US company Baxter, Sanquin received Food and Drug Administration (FDA) approval for the manufacture of Cinryze™ on an industrial scale. Since 2008, Sanquin has been manufacturing the drug using US plasma provided by our US partner ViroPharma. The drug is intended for US patients suffering from Hereditary Angio-Edema (HAE).

Greater manufacturing capacity

Robert Tiebout: "The Dutch market is small. It is also a highly competitive, open market. Efficiency and quality are necessary to ensure the quality and cost-effective manufacture of our products. This means we need to create greater volumes; our goal is to process three to four million litres of plasma. We must also continue to invest in state-of-the-art equipment and new techniques in order to make our products even more effective and patient-friendly."

The expansion of manufacturing capacity resulted in a large new construction project at the Amsterdam site. Sustainable and energy-saving solutions were selected wherever possible for the new buildings. The buildings are heated and cooled using heat and cold storage and a heat pump. Lighting is controlled centrally using motion sensors. A CO2 system is in place for climate control, meaning the climate control system switches off automatically if windows are opened, and heat is captured from the ventilation system.

This is also Sanquin

Sanquin is known best for its blood bank activities. What many people are unaware of is that Sanquin also plays a role in other fields of health care. Below is a selection of the products and services we offered in 2012.

Midwives: blood test results back sooner

Sanquin performs a lot of blood tests on behalf of hospitals as well as midwives. Using an electronic system, hospitals have been able to submit and receive the results of blood tests digitally for years now. In 2012, a 'light' version of this system was made available to midwives. This allows them to process requests and results for blood tests digitally from now on. Midwives used to receive test results from Sanquin by mail. They then had to type these results into their own systems by hand; it was a cumbersome system. The new system not only makes processing results easier, it also reduces the risk of errors. The midwives are very positive about the new system, and Sanquin is pleased it could lighten their workload slightly, making it easier for them to care for their patients.

More internal cooperation between doctors and researchers

In 2012, cooperation between the Transfusion Medicine department of the Research division and the Clinical Consulting Service of the Blood Bank division took shape. Regional cooperation has existed for a number of years, but cooperation on a national level now allows both departments to utilise the knowledge, expertise and availability of transfusion doctors and specialists throughout the country. Thanks to the joint meetings and plans for scientific research currently being drafted, broader research projects into improving blood transfusion will become possible. This will benefit patients.

Research into more effective treatment for rheumatoid arthritis patients...

Therapeutic proteins, so-called 'biologicals', are increasingly being used for the treatment of, for instance, auto-immune diseases. However, these treatments are ineffective in 20 to 30 percent of patients.
In 2012, researcher Pauline van Schouwenburg was awarded a PhD for her research into immune response to a specific drug. An immune response is when the body creates antibodies against a foreign substance, such as a virus or bacteria. These antibodies take out the intruders. This is usually a good thing, as it kills off pathogens. However, some patients develop an immune response to the drugs. Their body views the drug as an intruder.
Van Schouwenburg studied the immune response to a drug for rheumatoid arthritis and other auto-immune diseases. Van Schouwenburg comments: "The studies showed that if a patient created few antibodies against the drug, it has no effect on the drug's effect. But if a patient makes a lot of antibodies, the drug is literally switched off and no longer works."

Using Van Schouwenburg's research, Sanquin hopes to learn more about the immune response patients can have to drugs. During the course of this research, Sanquin worked closely with Reade Rheumatoid Arthritis treatment centre. "There is a great deal of expertise regarding blood and immunology at Sanquin," says Van Schouwenburg. "Cooperation with Reade provided information from clinical practice. This was an ideal combination for my study. Ultimately, greater insight into immune response to drugs can lead to improved treatment for patients. Our department's research has already enabled the development of tests to measure the drug and antibody levels in a person's blood."

...where Sanquin also tests for the presence of the drug

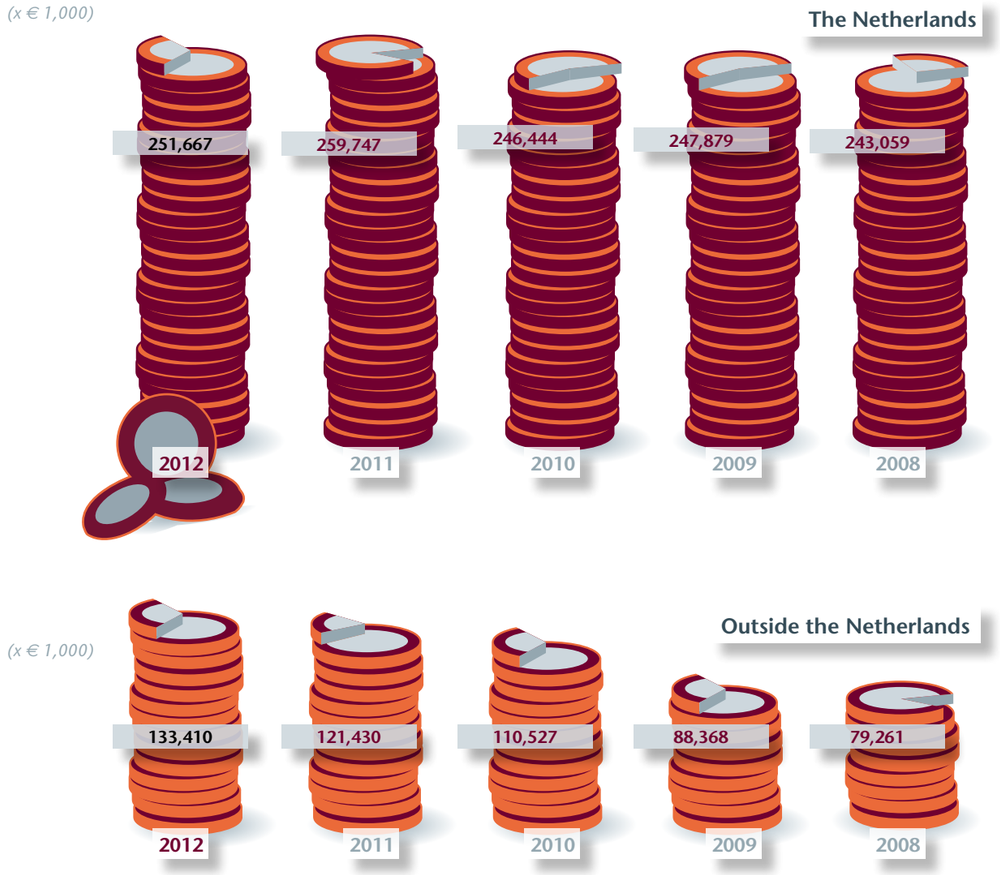
Sanquin has developed tests that show whether there is enough of a biological in the blood and whether the body has created antibodies against it. The test results may lead to treatment adjustments, switching to a different biological, or permanently stopping the expensive therapy. Test requests are coming in from all over the world.
Not only hospitals ask for these tests; pharmaceutical companies are increasingly asking Sanquin to perform these tests for studies examining the effect of new biologicals. In 2012, we welcomed a new major client that wants to compare the effects of its new biological to that of a competitor.
Some hospitals prefer to conduct the tests in their own laboratories. Since 2012, Sanquin has been offering these hospitals test kits they can use themselves. This allows the largest possible number of patients to benefit from Sanquin's expertise in this field.

A new laboratory for cell therapy

Sanquin opened the Laboratory for Cell Therapy on 1 November. In addition to processing stem cell preparations, the laboratory will also be offering cell therapy products. This is made possible by the new facility, including five clean rooms suitable for manufacturing cell therapy products. These products are considered drugs, and must therefore meet stringent quality requirements. Four of the five clean rooms will be used to manufacture cell therapy products, also called Advanced Therapy Medicinal Products (ATMPs). This is an entirely new field - there are currently no authorised products available in

Net turnover

Net turnover broken down by geographic area.



the Netherlands. Sanquin hopes to obtain the licence for the manufacture of ATMPs in early 2013. With five clean rooms, Sanquin is ready for it. The manufacture of a number of ATMPs began in 2012. These were mesenchymal stroma cells for patients with Graft-versus-Host disease and tumour-infiltrating lymphocytes for the treatment of melanoma patients.

Tissue storage for hospitals

Since 2012, Sanquin has supported hospitals by cleaning and storing tissues on request. Occasionally, a section of skull must be surgically removed due to increased pressure on the brain, due to head trauma or after a stroke, for example. This bone section can only be replaced once the patient has recovered sufficiently. Until that time, the bone fragment must be stored safely. Sanquin was asked to take on this specialised task. We received 45 skull fragments in 2012. This number is expected to grow to an average of 200 skull fragments per year.

Drugs, tests and research... internationally

Sanquin Blood Products participates in many international activities and works together with international partners and research institutions. This allows us to build knowledge and experience.

Furthermore, operating on an international scale allows us to manage the costs of blood testing and blood products for our Dutch clients. A selection of our international activities in 2012 follows.

The search for a new drug

Since 19 June 2012, Sanquin Blood Supply has been participating in Xenikos BV. Xenikos is a biotech start-up developing an experimental drug called T-Guard®. T-Guard® is a drug for treating severe antibody reactions in patients who have received a transplant with blood stem cells from a donor: Graft-Versus-Host Disease (GVHD). In addition to Sanquin, two regional investment companies (PPM Oost/IIG Fonds) were also willing to invest in Xenikos. AgentschapNL, part of the Ministry of Economic Affairs, also provided an innovation loan. Sanquin also manufactures the experimental drug required for the clinical trials. Peter van Mourik, Quality & Regulatory Affairs director, was appointed co-chairman of Xenikos BV by the shareholders. He comments: “By participating in Xenikos, Sanquin is contributing to the development of a drug against a deadly disease in the transplant market; an interesting sector for Sanquin. This market is important for such divisions as Plasma Products (HepBQuin, a plasma product against Hepatitis B) and Research (research into the therapeutic efficacy of mesenchymal stem cells in GVHD).”

On stand-by with blood during the 2012 Olympic Games

The Blood Bank in the UK asked Sanquin to remain on stand-by during the 2012 Olympic Games. If large quantities of blood and blood products were to be required during the Games in London, for example due to a calamity, Sanquin would be there to aid the British.
This was a request we were happy to fulfil. In order to do so, we needed to guarantee that Dutch donor blood met the UK requirements for blood products. And of course, we needed to be able to provide enough blood in case of an emergency. Our donor base, available in case of emergency, guarantees our ability to do so. Rolf Buining and Guus Verhoeven (heads of Release and Customer Service) described all practical issues in an extensive emergency protocol: “Ranging from the transportation of our blood to the UK to connecting the two IT systems. The protocol was even tested once in broad strokes. That was a useful experience. In the end, our colleagues in the UK did not require our assistance. Which is a good thing, of course.”

Anti-D tests for South Africa and the United States

Since 2012, Sanquin has offered manufacturers of anti-D immunoglobulin a test to check the anti-D content of the (intermediate) product. Sanquin previously only used this test internally. Upon request from the National Bioproducts Institute (NBI) in South Africa - a manufacturer of anti-D immunoglobulin - we examined whether we could offer this

test as a service product. The Quality Control department of the Plasma Products division and the Diagnostics division worked together to make this possible. The result of this cooperation is that Sanquin is now one of the few organisations offering this test for anti-D quantification. The United States are now also using this test. “It is particularly satisfying to be able to help colleagues in South Africa and the United States by repackaging existing substances,” says Nico Vreeswijk, Customer Relationship Management. Many other countries have since expressed interest in the anti D test.

Large-scale study into cancer therapy

Sanquin is responsible for part of a large-scale study - the collection of certain white blood cells (monocytes) from the blood of patients with prostate cancer. Following collection, the same protein present on prostate cancer cells is placed on the monocytes. This is done in a special laboratory. The monocytes with the specific protein are then given back to the patient. The hope is that the patient’s immune system will react to them. An immune response against the cancer cells is then also expected to develop. This can cause the body’s own immune system to attack cancer cells. In 2012, Sanquin prepared for participation in this study. The first monocytes will be collected from a patient in early 2013.

Sharing knowledge: with everyone, for everyone

Sanquin is a centre of expertise in the field of blood, and has strong, long-lasting relationships with universities and other research institutes. A number of Sanquin researchers are also professors at the universities of Leiden, Utrecht, Rotterdam and Amsterdam.
We believe it is important to share our knowledge at the university level, as well as in a way that is accessible to everyone, for example via CORPUS in Leiden.

Sanquin researcher appointed as professor

Jan Voorberg was appointed professor at the University of Amsterdam on 7 November 2012, with a special chair in ‘Cellular Hemostasis’. Voorberg: “This is a perfect opportunity to strengthen our contacts with the Academic Medical Center (AMC) of the University of Amsterdam in the field of Vascular Medicine.” Voorberg’s research group studies coagulation and thinning of blood. “Our study dovetails nicely with the clinical research at the AMC. Cooperation will allow us to benefit from each other’s expertise and generate better research results. Jan Voorberg will combine the professorship with his current position as head of the Laboratory for Cellular Hemostasis within the Plasma Proteins department of Sanquin Blood Supply’s Research division. “I consider my appointment as professor to be recognition for the work we do in our department. Furthermore, it will help us better position our research both nationally and internationally.”

Workshops for caregivers

Why does the efficacy of drugs against rheumatoid arthritis and psoriasis eventually decrease in 20 to 30 percent of patients? Sanquin’s research has led to significant expertise in this field, so 60 rheumatologists and dermatologists were given an answer to this question during Sanquin training sessions. Some patients develop antibodies against the drug they receive. The antibodies bind to the drug. The result: the drug no longer works, and the patient begins to feel worse again.
At Sanquin, we can test whether a patient is creating antibodies against the drug, and whether there is enough of the active drug present in the patient’s blood. During the training, we showed participants how we perform the tests, and how the results can help them treat their patients. If doctors suspect a patient is making antibodies against a drug, they can send in a blood sample for testing. The result indicates whether treatment needs to be adjusted. The patient can then switch to a different drug that he does not make antibodies against.

Participation in the Rembrandt Institute of Cardiovascular Science

Since 2012, Sanquin has been part of the Rembrandt Institute of Cardiovascular Science (RICS). The RICS is tasked with stimulating new, ground-breaking research. It is a joint venture between various Sanquin research departments, the Leiden University Medical Center (LUMC), both University Hospitals in Amsterdam (AMC and VU University Medical Center) and the Faculty of Science at the University of Amsterdam. The partners are working together closely on basic and applied scientific research into cardiovascular diseases. This includes a broad spectrum of diseases including vascular conditions, arrhythmias, kidney disease and clotting diseases.

Courses at the University of Amsterdam

For years, Sanquin has provided bachelor’s and master’s degree courses in immunology at the faculty of Science at the University of Amsterdam (UvA). The master’s course is provided in cooperation with the Academic Medical Center (AMC).
Sanquin plays a major role in developing and providing the courses. For example, we developed a new course with a practical focus (‘Immunology, research and clinic’) for third-year Biomedical Sciences students in 2012. This course includes laboratory sessions during which students use advanced techniques also used by residents in training and researchers for immunological research. This shows students what immunological research entails. This better prepares them for the internships towards the end of their degree course.
As part of the courses provided by Sanquin, students also visited our labs for a day. Through presentations and tours of the research departments, they learned about the role Sanquin plays in the field of blood research. This exposes students to the fact that Sanquin is more than just a blood bank; it is in fact also a leading research institute where they can pursue a PhD after graduation.

5. Financial results and financial position

Operating income

The total operating income increased by € 29.4 million to € 429.0 million (+7%) in 2012. The most important developments in relation to the operating income can be summarised as follows:

- There was a decrease in turnover at the Blood Bank of € 7.8 million (-5%). This is in line with the declining sales of blood products.
- The supply of plasma products resulted in an increase in turnover of € 12.6 million (+7%). This increase was mainly the result of production of Cinryze™ for the US market.
- The turnover from diagnostic services for blood samples from Dutch healthcare institutions grew by € 1.0 million (+5%) in 2012 because of an expansion of services combined with a regular increase in rates.
- Research saw a decrease in turnover from external subsidy income and contract research of € 1.8 million (-18%). Continued attention to external funding is required in order to ensure structural financing of an appropriate research programme for the organisation.
- The other operating income showed an increase of € 3.0 million.

Operating costs

Operating costs rose by € 24.9 million in 2012, to € 403.5 million (+7%). The most important reasons for this were:

- The costs of ‘Raw materials and consumables’ rose by € 22.4 million (+22%), mainly because of the increased production of plasma products.
- The costs for wages, salaries, social charges and pension contributions increased by € 7.5 million (+5%) in 2012. Salaries were increased in accordance with the Sanquin CLA 2011-2014 and social charges and pension contribution increases were also evident (+6%).

- Depreciation of tangible fixed assets rose by € 3.2 million (+15%), in line with the major investments in buildings and process equipment in recent years.
- Other operating costs decreased by € 8.2 million (-7%). This is partly due to the release of employee provisions.

Result

The rate at which operating costs rose in 2012 was below the operating income's rate of increase. The operating result consequently rose to € 25.5 million (+21%).
Interest income and interest expense were virtually the same in 2012 (2011: on balance interest income of € 0.4 million.
As it did in 2011, the item 'Tax' in 2012 had a negative effect on the result of € 0.6 million. The share of third-parties of -/- € 0.6 million is included to correct Sanquin's consolidated result, which includes CAF for 100%, for the minority interest in CAF that is not owned by Sanquin.

The operating result, combined with the financial income and charges and taxes mentioned above, on balance result in a net result of € 23.3 million, compared to € 20.1 million in 2011.

The specification of the increase in the result from ordinary business activities before tax is as follows:

	(€ 1000.-)	€	€
Increase in total operating income			**29,407**
Increase in raw materials and consumables		-/- 22,422	
Increase in salaries and social charges		-/- 7,465	
Increase in depreciation costs		-/- 3,188	
Decrease in other operating expenses		8,182	
Increase in total operating costs			**-/- 24,893**
Increase in operating result			**4,514**

Financial position

The Foundation's liquidity increased somewhat in 2012. On the one hand there were positive results, on the other a great deal of liquidity was needed to finance investments and expand the working capital.

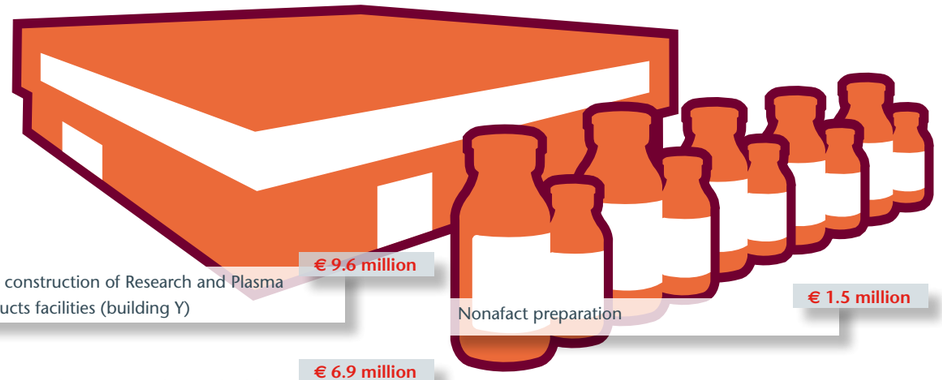
Sanquin's working capital can be specified as follows:

		31-12-2012	**31-12-2011**
	(€ 1000.-)	€	€
Liquid assets		77,362	76,044
Short-term receivables		82,481	66,525
Stock		132,593	119,485
Current liabilities		-/- 87,584	-/- 69,090
Working capital		**204,852**	**192,964**

The Foundation's working capital increased by € 11.9 million to € 204.9 million primarily as a result of the increase in the activities of the Plasma Products division.

Investments in 2012

The 2012 investments in tangible fixed assets that exceeded € 1.0 million were:



- New construction of Research and Plasma Products facilities (building Y) — € 9.6 million
- Nonafact preparation — € 1.5 million
- Expansion of existing production building for Plasma Products (building V) — € 6.9 million
- Installation for the processing of US plasma (in bottles) — € 1.4 million
- Expansion of Plasma Products fractionation capacity — € 4.3 million
- Plasma products cartoning machine — € 1.2 million
- Process installations for Baxter-related production — € 2.3 million

Investments in property, plant and equipment are preferably financed with resources available to the Foundation for the long term. The specification below shows that this was achieved:

(€ 1000.-)	31-12-2012 €	31-12-2011 €
Tangible fixed assets	173,327	157,348
Financing with long-term resources	378,444	350,312

The financing with long-term resources can be specified as follows:

(€ 1000.-)	31-12-2012 €	31-12-2011 €
Group equity	325,472	301,584
Provisions	17,666	18,814
Long-term debt	35,306	29,914
Financing with long-term resources	**378,444**	350,312

It can be concluded from the balance sheet that Sanquin's solvency (Group Equity / Total Assets) remained stable at 70% compared to 2011, despite the high investment level.

6. Risks and risk management

Risk profile

Sanquin's activities are based in part on a public duty set by the Dutch government. For the rest, they take place in an international, commercial environment. The Dutch government's approval of Sanquin's budget and annual accounts is set down by law and is primarily focused on the public section. By the very nature of the environment, the commercial section involves inevitable risks, and risks different from those of the public section.
Sanquin devotes a great deal of attention to fully and frequently informing the government, customers and users of its products on this topic.

Scientific developments by which synthetic alternatives for blood products are developed and introduced on the market can pose a threat to the commercially sound operation of the preparation of plasma products in particular.

Because of the decline in demand for some products, fewer different products are being isolated from the same quantity of raw material. This reduces the number of factors that bear the joint costs of collecting, testing and preparing plasma products. Synthetic alternatives have been or will be put on the market for some products, which is expected to push down sales of some products. A faster than expected replacement of plasma products with synthetic alternatives can have a major impact on the operating result.
Sanquin is increasingly exporting plasma products and producing them on a contract basis. This can cause sales to fluctuate significantly from year to year; Sanquin is also exposed more than in the past to export risks and political risks connected with the countries to which products are supplied. Without the contribution of export and contract production, the supply of plasma medications in the Netherlands could be jeopardised and become more expensive.

Quality assurance plays an important role in the preparation of medications from plasma. One of the starting points is that production disruptions immediately cause production batches to be blocked so as to prevent any uncertainty about quality assurance. Stepping up quality measures reduces the chance of production disruptions.

One of Sanquin's main activities is to supply products for therapeutic use in humans. Collecting the raw materials for these products, testing these raw materials and carrying out the preparation all take place within an extensive system of national legislation and European directives. Sanquin complies with this legislation and these directives, which, among other things, stipulate detailed requirements for quality assurance. The raw material for many of our products is biological human material, which therefore has a special risk profile. Sanquin makes every effort to maximise the safety of its products, but is aware of the limitations involved in this respect when working with biological raw materials. Sanquin feels it is necessary to carry out R&D in order to constantly increase the quality and reliability of the products.
Sanquin is an organisation whose sometimes extremely varied activities are accommodated in separate divisions. The risks confronted by Sanquin are assessed per division and compared and determined at the corporate level.

Sanquin has a variety of ICT systems (hardware, software, computer networks and data communication). The ICT infrastructure has been designed to support the organisation effectively, reliably and safely. The continuity of the business operations is largely contingent on the proper functioning of the ICT systems. The performance and functioning of the safety measures in the ICT environment are permanently monitored, therefore, so that adjustments can be made quickly in the event of disruptions or the threat thereof. For applications that support time-critical processes, like the national test laboratory for donations, procedures have been developed whereby alternative procedures can be used temporarily in the event of technical breakdowns.

An agreement has also been concluded with a laboratory in Belgium so that this laboratory can be used as a back-up in the event of an emergency. The emergency procedures are tested in practice from time to time.

Risk Management

The 'Committee of Sponsoring Organizations' (COSO) framework for internal control is used as a working model for risk management. The elements included in the framework are present at Sanquin to a significant degree.
All divisions have policy rules and procedures to manage the risks identified. The most significant of these are:

- The structure of the organisation as set down in the articles of association, documents on the organisation's set-up, the decision-making procedures of the Executive Board and division directors, procedures for the internal delegation of powers and authorisations for external representation of the organisation.
- The 'accounting manual', instructing how the financial reporting is structured and containing the procedures to be followed for drawing up the reports.
- The treasury policy, containing the policy rules for cash and currency management.
- The quality policy, which describes the quality assurance system.
- Project control procedures, in which responsibilities, powers and reports on projects to be carried out are documented.
- Standard Operating Procedures for the many implementation processes at the implementation level.
- Rules of conduct and a whistleblower scheme.
- Procedures to prevent fraud in scientific research.
- Risk inventories and evaluations in the context of the occupational health and safety and environmental policies.
- Insurance in relation to product liability and other business risks.
- Procedures and facilities to secure the ICT infrastructure and back-up facilities in the event of technical breakdowns.

The organisational structure and the policy are focused on clear information and communication. Formalised work consultation is the most important basis for this. There are also internal notifications, a staff magazine, a magazine for hospitals, a magazine for donors, an intranet and a website. Financial information is communicated internally on a monthly basis. Management information on employee matters and quality issues is distributed within a formalised system on a quarterly basis. Education and training also contribute to communication. There are structured internal and external training programmes for the various divisions. There is a structure for communication with representatives of donors and of users of the Sanquin products and services, both nationally and per blood bank division. Advisory boards have been set up with external experts who advise the Executive Board on ethics, science, medical issues and donor affairs.
The control measures are monitored through periodic monthly discussion of financial management information by the Executive Board and the directors. The financial reporting is also discussed with the Supervisory Board. At least twice per year the Executive Board also discusses the general course of affairs of each division during a company visit. Finances, employee affairs, quality issues and construction are standard items on the agenda.
Internal regulations for reporting claims and lawsuits from third parties are set down in writing. The Executive Board reports claims during its meeting with the Supervisory Board. A discussion of the most important risks on the strategic level is part of the discussion of Sanquin's Medium-term Plan each year.
Sanquin's quality policy is set down in writing and is focused on the GMP and ISO quality systems. In this context, the different business units are frequently inspected by the Healthcare Inspectorate of the Ministry of Health, Welfare and Sport and in the context of ISO certifications. There are also audits by audit authorities from countries where the Plasma Products division supplies products, such as the US, Brazil and Turkey. Performing periodic internal audits is one of the duties of the group department Quality Assurance and is part of the constant

monitoring of the risk management system. External risk inventories and evaluations take place periodically, and incidentally also in connection with the product liability insurance.
During the audit of the annual accounts, the external auditor assesses the functioning of the operational procedures. The findings are reported to the division directors and the Executive Board. The external auditor reports to the Executive Board and the Supervisory Board on the basis of the annual audit report. By signing the "Letter of Representation", the Executive Board declares that the information provided is complete and accurate. In doing this, the Executive Board also bases its declaration on the statements from the division directors. In addition to the elements mentioned above, there are a number of other elements that together form the framework for the risk management. Elements such as integrity, professional ethics, employee expertise, management style and how powers and responsibilities are delegated are part of this. The Executive Board has set down a number of core values in the Sanquin rules of conduct. These include service, result-orientation, flexibility and cooperation.

On grounds of the activities described, the Executive Board states to the best of its knowledge that the internal risk management process in general functioned properly in the 2012 reporting year. No major incidents or disruptions of business operations occurred in 2012. The actual effectiveness can only be assessed with reference to the results over a longer period of time. Further expansion and completion of the control processes will take place in the coming years, in any case because the external world continues to change and Sanquin wants to and must adapt in line with those changes.
The Executive Board's policy remains focused on constantly testing and improving the risk management system.

7. Outlook for 2013

In 2010 we launched a large-scale investment programme. In this context, in 2012 a great deal effort was devoted to the construction of a new building on the Amsterdam site in support of the Plasma Products, Diagnostics and Research divisions. Building Y was handed over in September 2012. Further investments will be made in 2013 in the upgrade of the technical processes and systems so as to ensure continued adherence to safety and quality requirements in the future. In this context, work will be initiated on the demolition of a small production building. The freed up space will then be used to construct a larger building with technical installations, cold stores and freezers, and offices for the Plasma Products division. This investments programme will be financed from internal funds. The Foundation's liquid assets are consequently expected to decline over the coming years.

The supply of short shelf-life blood products is expected to decline in 2013 in comparison to 2012. The prices of short shelf-life blood products will be increased by an average of 0.3% in 2013 on the basis of the budget approved for the Blood Bank by the minister of Health, Welfare and Sport. On balance, the Blood Bank's turnover is expected to decline. The challenge in this respect is not only to lower the Blood Bank's variable costs, but its fixed costs as well in order to prevent it from having to implement major price increases as the only means of financing the operation of the blood bank's activities. The research contribution incorporated into the prices will increase by € 2.0 million.

A continued increase in the turnover of plasma products is expected in 2013. This increase is primarily expected to occur in the contract production for third parties (Cinryze™ for the US market and the start up of production for Baxter). The turnover for other products is expected to remain stable. Relatively large investments will once again be made in innovations of the product range, as well as the integration of production activities with the CAF and the arrival of Baxter.

The revenues of the Diagnostics, Reagents and Research divisions are expected to increase slightly in 2013.

Annual Accounts 2012

Consolidated Annual Accounts 2012

Consolidated balance sheet as at 31 December 2012 (prior to profit appropriation)

(€ 1000.-)	Ref.	31 December 2012 €	31 December 2012 €	31 December 2011 €	31 December 2011 €
Assets					
Fixed assets					
Tangible fixed assets	5	173,327		157,348	
Financial fixed assets	6	265		0	
			173,592		**157,348**
Current assets					
Stocks	7	132,593		119,485	
Receivables	8	82,481		66,525	
Liquid assets	9	77,362		76,044	
			292,436		**262,054**
			466,028		**419,402**
Liabilities					
Group capital					
Equity	10	306,191		282,920	
Share of third parties	11	19,281		18,664	
			325,472		**301,584**
Provisions	12		17,666		18,814
Long-term debt	13		35,306		29,914
Short-term debt	14		87,584		69,090
			466,028		**419,402**

Consolidated profit and loss account for 2012

(€ 1000.-)	Ref.	2012 €	2012 €	2011 €	2011 €
Net turnover	16	385,077		381,177	
Change in stocks of finished products and work in progress		29,754		7,265	
Other operating income		14,152		11,134	
Total operating income			**428,983**		**399,576**
Costs of raw materials and consumables		122,536		100,114	
Wages and salaries	17	125,234		119,582	
Social security charges incl, pension	17	26,951		25,138	
Depreciation of tangible fixed assets	21	25,045		21,857	
Other operating expenses	22	103,706		111,888	
Total operating expenses			**403,472**		**378,579**
Operating result			**25,511**		**20,997**
Proceeds from tangible fixed assets	24		0		0
Revenue from financial fixed assets	24		-1,035		0
Interest income	24		1,584		3,714
Interest expenses	24		-1,544		-3,302
Result from ordinary business operations before taxes			**24,516**		**21,409**
Tax on result from ordinary business operations	26		-628		-604
Share of third parties			-617		-719
Result after taxes			**23,271**		**20,086**

Consolidated cash flow statement for 2012

	2012		2011	
(€ 1000.-)	€	€	€	€
Cash flow from operating activities				
Operating result		25,511		20,997
Adjustments for:				
Depreciation of tangible fixed assets	25,045		21,857	
Change in provisions	-1,148		8,861	
		23,897		**30,718**
Change in operating capital:				
Increase of Stocks	-13,108		-14,626	
Increase of Receivables	-15,956		-1,293	
Increase of Short-term debt	18,494		-901	
		-10,570		**-16,820**
Cash flow from business operations		**38,838**		**34,895**
Proceeds from fixed assets	0		0	
Other movements in consolidation	890		-819	
Interest received	1,584		3,714	
Corporation tax	-628		-604	
Interest paid	-1,544		-3,302	
		302		-1,011
Cash flow from operating activities		**39,140**		**33,884**

	2012		2011	
(€ 1000.-)	€	€	€	€
Cash flow from investing activities				
Investments in tangible fixed assets	-41,136		-45,456	
Divestment in tangible fixed assets	0		0	
Cash flow from investing activities		**-41,136**		**-45,456**
		-1,996		**-11,572**
Cash flow from financing activities				
Receipts from long-term debt	10,500		5,518	
Repayments of long-term debt	-7,186		-6,158	
Cash flow from financing activities		**3,314**		**-640**
Net cash flow		**1,318**		**-12,212**
Increase/(decrease) of cash		1,318		-12,212

The development of cash is as follows:

	2012	2011
(€ 1000.-)	€	€
Balance as at 1 January	**76,044**	**88,256**
Change during the financial year	1,318	-12,212
Balance as at 31 December	**77,362**	**76,044**

Notes to the consolidated balance sheet and profit and loss account

1. General notes

1.1 Activities

Sanquin's activities involve the preparation and supply of long and short shelf-life blood products in the Netherlands as well as contract blood testing for third parties. Sanquin also performs subsidised and contract research and provides education in cooperation with the University of Amsterdam. In Belgium, long shelf-life blood products are prepared and supplied by subsidiary CAF. In Finland, Sanquin Oy provides the marketing of the long shelf-life blood products for the local market.

Sanquin Blood Supply Foundation has its main office at Plesmanlaan 125, 1066 CK in Amsterdam and is registered with the Chamber of Commerce in Amsterdam under number 41217565.

1.2 Consolidation

The consolidation includes the financial data of Sanquin Blood Supply Foundation, its group companies and other legal entities in which it can exercise dominant control or over which it has central management. Group companies are legal entities in which Sanquin Blood Supply Foundation can directly or indirectly exercise dominant control because it has the majority of voting rights or can control the financial and operational activities in some other way. Potential voting rights that can be exercised directly on the balance sheet date are also taken into account here.

The group companies and other legal entities in which it can exercise dominant control or over which it has central management are included in the consolidation 100%. The share of third parties in the group equity and in the group's result is reported separately.

Intercompany transactions, intercompany results and receivables and debts between the group companies and other legal entities included in the consolidation are eliminated. Unrealised losses on intercompany transactions are also eliminated unless there is an impairment. Accounting policies of group companies and other legal entities included in the consolidation have been adapted where necessary to achieve consistency with the accounting policies used for the Group.

Since Sanquin Blood Supply Foundation's 2012 profit and loss account is included in the consolidated annual accounts, limited notes to the balance sheet and profit and loss account have been included in the separate annual accounts.

The following companies are included in the consolidation:

- Sanquin Blood Supply Foundation, Amsterdam, The Netherlands
- CAF-DCF CVBA, Brussels, Belgium (50.01%)
- Sanquin Oy, Helsinki, Finland (100%)
- Euroclone BV, Amsterdam, The Netherlands (100%)

1.3 Affiliated parties

All legal entities over which dominant control, joint control or significant influence can be exercised are designated as affiliated parties. Legal entities that can exercise dominant control are also designated as affiliated parties. The members of the Executive Board under the articles of association, other key officers in Sanquin's management and those closely related are also affiliated parties.

Significant transactions with affiliated parties are explained to the extent these have been entered into not at arm's length. The nature and size of the transaction are explained in this case and other information necessary to provide insight is also given.

1.4 Cash flow statement

The cash flow statement has been prepared in accordance with the indirect method. Cash and cash equivalents in the cash flow statement consist of liquid assets. Cash flows in foreign currencies are translated at average exchange rates. Exchange rate differences relating to liquid assets are shown separately in the cash flow statement. Income and expenditure arising from interest, dividends received and tax on profits are included in cash flow from operating activities. Transactions that involve no influx or outflow of cash or cash equivalents are not included in the cash flow statement.

1.5 Estimates

In order to be able to apply the policies and rules for drawing up the annual accounts, the management of Sanquin Blood Supply Foundation must reach a judgement on certain matters and make estimates that could be essential for the amounts included in the annual accounts. If necessary for providing the insight required by Article 2:362 (1) of the Dutch Civil Code, the nature of these judgements and estimates, including the corresponding assumptions, is included in the notes to the particular items of the annual accounts.

2. Accounting policies for the valuation of assets and liabilities

2.1 General

The consolidated annual accounts have been drawn up in accordance with the statutory provisions of Title 9, Book 2 of the Dutch Civil Code and the authoritative statements from the Annual Reporting Guidelines published by the Dutch Accounting Standards Board. The annual accounts are drawn up in euros.

Assets and liabilities are generally stated at acquisition price or manufacturing cost. If no specific basis is reported for the valuation, valuation takes place at acquisition price. References are included in the balance sheet, profit and loss account and cash flow statement. These references refer to the notes.

2.2 Comparison to previous year

The accounting policies used are unchanged with respect to the previous financial year.

2.3 Foreign currency

Functional currency

The items in the annual accounts of the group companies are valued taking into account the currency of the economic environment in which the group company mainly conducts its business activities (the functional currency). The consolidated annual accounts are presented in euros, the functional and presentation currency of Sanquin.

Transactions, receivables and liabilities

Transactions in foreign currencies during the reporting period are included in the annual accounts at the exchange rate in effect on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate in effect on the balance sheet date. The exchange rate differences arising from settlement and conversion are added to or deducted from the profit and loss account.

Non-monetary assets that are valued at acquisition price in a foreign currency are converted at the exchange rate in effect on the transaction date.

2.4 Tangible fixed assets

Company buildings and sites are valued at acquisition price plus additional costs or manufacturing cost net of straight-line depreciation during their estimated useful economic lives. No depreciation is charged on land.
Fixed assets in progress are not depreciated until the asset is taken into use.
Impairments expected on the balance sheet date are taken into account. See section 2.6 with regard to the determination as to whether a tangible fixed asset is subject to an impairment.

Other fixed assets are valued at the lower of acquisition price/manufacturing cost, including directly attributable costs, net of straight-line depreciation during the expected future useful life, or value in use. The manufacturing cost consists of the purchasing costs of raw materials and consumables and costs that can be directly allocated to the manufacture, including installation costs. Software implementation costs are directly deducted from the result.

There is no obligation to restore the asset at the end of its use. No provision for major maintenance has been formed for the future costs of major maintenance to the company buildings. The costs are reported directly in the result.

2.5 Financial fixed assets

Participating interests

Participating interests in group companies and other participating interests where significant influence can be exercised are valued according to the net asset value method. Significant influence is assumed if 20% or more of the voting rights can be exercised.

The net asset value is calculated according to the policies that apply for these annual accounts.If the valuation of a participating interest is negative according to the net asset value, it is valued at zero.
A provision is created if and insofar as Sanquin Blood Supply Foundation wholly or partially guarantees the participating interest's debts in this situation, or has the firm intention of enabling the participating interest to pay its debts.
The first valuation of acquired participating interests is based on the fair value of the identifiable assets and liabilities at the moment of acquisition. For the next valuation, the policies that apply for these annual accounts are used, with the value produced at the time of first valuation used as a basis.

Participating interests in which no significant influence can be exercised are valued at acquisition price. If there is a permanent reduction in value, the participating interest is stated at this lower value; downward revaluation takes place at the expense of the profit and loss account.

Receivables from participating interests

The receivables included under financial fixed assets are stated at the fair value of the amount provided less any provisions deemed necessary.

Securities

The securities included under financial fixed assets that are intended to serve permanently for the conduct of the company's activities are valued at the lower of acquisition price or market value. Reductions in the value of these securities are included at the expense of the profit and loss account.

Other receivables

The other receivables included under financial fixed assets include loans that will be held until the maturity date. These receivables are valued at repayment value. Impairments are deducted from the repayment value and reported directly in the profit and loss account.

2.6 Impairments of fixed assets

The Foundation determines on every balance sheet date whether a fixed asset may be subject to impairment. If there are indications that this is the case, the realisable value of the asset is determined. An impairment applies if the book value of an asset is higher than the realisable value; the realisable value is usually equal to the direct realisable value in the event of sale.

2.7 Stocks

Raw materials and consumables and semi-manufactures

The raw materials include plasma and auxiliary materials. These stocks are stated at the lower of cost price or market value. A provision for obsolescent stock is deducted from the value of the stock where necessary.
The semi-manufactures, including the production in progress as at the balance sheet date, are stated at the lower of direct cost plus a mark-up for direct manufacturing costs or market value. A provision for obsolescent stock is deducted from the value of the stock where necessary.

Finished products and goods for resale

The stock of finished products is stated at the lower of raw materials costs plus directly attributable manufacturing costs or market value. A provision for obsolescent stock is deducted from the value of the stock where necessary.
Goods for resale are stated at the lower of acquisition price or market value. A provision for obsolescent stock is deducted from the value of the stock where necessary.

2.8 Receivables

Upon first inclusion receivables are stated at the fair value of the consideration received in return. Trade receivables are stated at amortised cost price after first inclusion. If the receipt of the receivable is deferred on grounds of an agreed extension to a payment term, the fair value is determined with reference to the present value of the expected receipts and interest income based on the effective interest rate is added to the profit and loss account. Provisions for bad debt are deducted from the book value of the receivable.

2.9 Liquid assets

Liquid assets consist of cash, bank balances and call deposits with a term of less than twelve months. Current account debts at banks are included under debts to credit institutions in current liabilities. Liquid assets are stated at face value.

2.10 Share of third parties

Share of third parties as part of the group equity is stated at the amount of the net interest in the particular group companies.

2.11 Provisions

General

Provisions are formed for legally enforceable or actual liabilities that exist on the balance sheet date and which will most likely require the outflow of funds the size of which can be reliably estimated.
The provisions are stated at the best estimate of the amounts that will be needed to settle the liabilities as at the balance sheet date.
The provisions are stated at the face value of the expenditures that are expected to be necessary to settle the liabilities, unless otherwise reported.

Employee provisions

The employee provisions consist of obligations relating to existing redundancy arrangements, reorganisation costs, reserved pension contributions and contributions to be compensated, long-service bonuses, continued payment in the event of long-term illness and obligations concerning the transition scheme for the personal age-related leave scheme under the Sanquin CLA.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are included for temporary differences between the value of the assets and liabilities according to tax regulations on the one hand and the book values followed in these annual accounts on the other. Deferred tax assets and liabilities are calculated at the tax rates in effect at the end of the reporting year, or at the rates that are to apply in coming years, to the extent these have already been set by law.

Deferred tax assets due to offsettable differences and available losses to be carried forward are included to the extent it is likely that future taxable profit will be available against which losses can be offset and netting possibilities can be utilised.

Deferred taxes are reported for temporary differences concerning group companies, participating interests and joint ventures, unless Sanquin is able to determine at what moment the temporary difference will expire and it is unlikely that the temporary difference will expire in the foreseeable future.

Deferred taxes are stated at nominal value.

2.12 Long-term debt

Long-term debts are stated at repayment value upon first valuation. Transaction costs that can be allocated to the acquisition of the debts are directly included in the profit and loss account. After first inclusion, debts are stated at the repayment value in effect at that moment. The portion of the long-term debts that will be repaid in the coming financial year is included under the current liabilities.

2.13 Leasing

Sanquin Blood Supply Foundation may have lease contracts whereby a large part of the advantages and disadvantages associated with ownership are not enjoyed or suffered by the Foundation. These lease contracts are reported as operational leases. Obligations under an operational lease are included on straight-line basis in the profit and loss account for the term of the contract, taking into account compensations received from the lessor.

3. Accounting policies for determining the result

3.1 General

The result is determined as the difference between the realisable value of the performance delivered and the costs and other charges for the year. The results on transactions are reported in the year in which they are realised; losses can be realised as soon as they are foreseeable.

3.2 Revenue recognition

Sale of goods

Revenue from the sale of goods is included as soon as all significant rights and risks related to the ownership of the goods pass to the purchaser.

Provision of services

Revenue from the provision of services is included if and insofar as the particular services have actually been performed.

Exchange differences

Exchange differences that take place in the settlement of monetary items are included in the profit and loss account in the period in which they occur.

3.3 Net turnover

Net turnover includes the revenue from the supply of goods and services less discounts etc. and less taxes levied on the turnover and after elimination of transactions within the group.

3.4 Other operating income

Other operating income includes subsidy income. Subsidies are reported in the profit and loss account as income in the year in which the subsidised costs are incurred. The income is reported when it is likely that it will be received and Sanquin Blood Supply Foundation can demonstrate the conditions for receipt.

3.5 Costs of raw materials and consumables

The raw materials and consumables are raw materials that are used and are directly attributable to the net turnover, as well as the costs of manufacturing at cost, or, for goods for resale, the direct cost. This also includes, if applicable, the devaluation of stocks to a lower market value and any provisions created for obsolescent stock.

3.6 Employee benefits

Periodically payable benefits

Wages, salaries, social security charges and pension contributions are, on grounds of the employment conditions, included in the profit and loss account to the extent they are payable to employees.

Pensions

Sanquin utilises Pensioenfonds Zorg & Welzijn (pension fund for the healthcare and social welfare sectors) for the pension scheme in the Netherlands. Eligible employees are entitled at retirement age to a pension based on the average wage earned calculated over the years that the employee accrued pension at the Zorg & Welzijn industry pension fund for the healthcare and social welfare sectors.

The obligations arising from the employees' rights are placed at the industry pension fund for the healthcare and social welfare sectors. Sanquin pays contributions to this pension scheme; half of the contribution is financed by the employer and the other half by the employee. The pension rights are indexed annually, if and insofar as the pension fund's funding ratio (the pension fund's capital divided by its financial obligations) permits this.

As of the end of March 2013, the pension fund's funding ratio was 105% (source: website www.pfzw.nl dated 24 April 2013). In 2014 the pension fund must have a funding ratio of at least 105%. The pension fund expects to be able to satisfy this and foresees no need for the affiliated institutions to make extra contributions or for special increases in the contribution to be implemented. Sanquin has no obligation to pay additional contributions in the event of a shortfall in the fund, other than the effect of higher future premiums. Sanquin has therefore only reported the contributions owed to the end of the financial year as a charge in the profit and loss account.

Pension schemes of subsidiaries abroad, which are organised and function similarly to the Dutch pension system, are also included according to the obligation approach. For foreign pension schemes that are not similar, a best estimate is made of the obligation existing as at the balance sheet date, based on an actuarial valuation method generally accepted in the Netherlands.

3.7 Depreciation of tangible fixed assets

Tangible fixed assets are depreciated over the expected future useful life from the moment they are taken into use. No depreciation is charged on land. If a change is made to the estimate of the economic useful life, the future depreciation is adjusted.

3.8 Exceptional items

Exceptional items are income or charges that arise from events or transactions that belong to the result from ordinary activities but which, for the sake of comparability, are explained separately on grounds of the nature, size or incidental character of the item.

3.9 Financial income and expenditure

Interest received and interest paid are time-weighted, taking into account the effective interest rate for the particular assets and liabilities.

3.10 Tax

The tax on the result is calculated on the result before tax in the profit and loss account, taking into account the exempt profit components and investment and other facilities. The liability for tax only applies to the commercial section of the organisation.

4. Management of financial risks

Sanquin Blood Supply Foundation is exposed to various financial risks: price risk (including exchange rate risk, market risk and interest-rate and cash flow risk), credit risk and liquidity risk. The size of these risks in the daily operations is not such that financial instruments are used to hedge the risks. Financial risks are managed centrally by the Group Control department on the basis of policy adopted by the Executive Board.

4.1 Price risk

Exchange rate risk

Sanquin Blood Supply mainly operates in the European Union. If significant long-term supply obligations are entered into, such as the supply of Cinryze for the US market, price agreements are, in principle, made in euros, even if the supply is to countries outside the European Union. The remaining transactions in foreign currency are relatively limited and any residual risks from these transactions are therefore not hedged.

Market risk

Sanquin Blood Supply Foundation is exposed to risks relating to raw material and energy prices. This risk is managed by reducing the dependency on suppliers as much as possible, centralising procurement where possible and making long-term price agreements with suppliers wherever possible. The starting point when entering into procurement relationships is to agree on price increases that fall within the margins of the government regulation for price compensation for budgets in the healthcare sector.

Interest-rate and cash flow risk

Sanquin Blood Supply Foundation is exposed to interest-rate risk on the interest-bearing receivables (in particular those under financial fixed assets and liquid assets) and interest-bearing long-term and current liabilities (including debts to credit institutions).
For receivables and liabilities with variable interest-rate agreements, the Foundation is exposed to risk in relation to future cash flows; in relation to fixed-interest receivables and liabilities, the Foundation is exposed to risks concerning the market value.
No financial derivatives for interest-rate risks are contracted in connection with these receivables and liabilities.

4.2 Credit risk

Sanquin Blood Supply Foundation has no significant concentrations of credit risk. Short shelf-life blood products are sold to Dutch hospitals. Long shelf-life blood products are only sold to customers that satisfy the Foundation's creditworthiness test. Products are sold on the basis of credit terms of 14 to 60 days. Additional securities, such as prepayments and guarantees, may be requested for large supplies, or credit insurance may be concluded.

4.3 Liquidity risk

Sanquin Blood Supply Foundation uses several banks in order to have access to a number of credit facilities. Further securities are provided to the bank for available credit facilities as necessary. No specific bank covenants apply to date.

Notes to the balance sheet

5. Tangible fixed assets

The changes in the tangible fixed assets can be specified as follows:

(€ 1000.-)	Land and buildings	Machines and installations	Other fixed operating assets	Fixed operating assets in progress	Total
		€	€	€	€
Balance as at 1 January 2012					
Acquisition price or manufacturing cost	107,139	152,588	25,036	22,063	306,826
Accumulated depreciation	-34,678	-96,117	-18,683	0	-149,478
Book values	**72,461**	**56,471**	**6,353**	**22,063**	**157,348**
Changes					
Investments	6,158	10,851	2,259	21,868	41,136
Changes	9,417	10,277	-1,753	-18,038	-97
Divestments	-96	-1,359	-71	0	-1,526
Change in depreciation		-1,861	1,845	1	-15
Depreciation	-6,737	-15,398	-2,910	0	-25,045
Depreciation of divestments	96	1,359	71	0	1,526
Balance	**8,338**	**3,869**	**-559**	**3,831**	**15,979**
Balance as at 31 December 2012					
Acquisition price or manufacturing cost	122,617	172,357	25,471	25,893	346,338
Accumulated depreciation	-41,318	-112,018	-19,676	1	173,011
Book values	**81,299**	**60,339**	**5,795**	**25,894**	**173,327**
Depreciation rates	0%-10%	10%-20%	20%-33%	0%	

Investments in projects that are still in progress as at the balance sheet date are reported in the column 'Fixed operating assets in progress'. After completion, these projects are reported as 'Company buildings and sites', 'Machines and installations' or 'Other fixed operating assets'. The corresponding debit in 'Fixed operating assets in progress' is visible as a negative item under 'Investments'.

The assets are at the free disposal of the Foundation.
The current value of the fixed assets does not deviate significantly from the book value.

The 2012 investments in tangible fixed assets that exceeded € 1.0 million were:

- New construction of Research and Plasma Products facilities (building Y) € 9.6 million
- Expansion of existing production building for Plasma Products (building V) € 6.9 million
- Expansion of Plasma Products fractionation capacity € 4.3 million
- Process installations for Baxter-related production € 2.3 million
- Nonafact preparation € 1.5 million
- Installation for the processing of US plasma (in bottles) € 1.4 million
- Plasma products cartoning machine € 1.2 million

The 2012 depreciation costs included an amount of € 2.5 million related to an impairment of the stem cell laboratory. Based on a negative adjustment of the expected revenues from contract research, the book value of the stem cell laboratory was completely written off in 2012.

6. Financial fixed assets

(x € 1000.-)	Participating interests	Totaal
Balance as at 1 January 2012	0	0
Investments	1,300	1,300
Result of participating interests	-1,035	-1,035
Divestments	0	0
Balance as at 31 December 2012	265	265

Participating interests

Sanquin has a financial interest in Xenikos BV in Nijmegen. Xenikos is a biotech company that is developing a T-Guard® experimental drug. T-Guard® is a drug for treating serious rejections in patients following a transplant involving donor blood stem cells: Graft-Versus-Host Disease (GVHD).
Sanquin's equity interest is 37.44%. Sanquin is obliged to invest an additional € 1.3 million in Xenikos' share capital on the basis of future milestones in the development process of a new drug. In addition, Sanquin has issued a security deposit for Xenikos' obligation arising from an innovation credit granted to Xenikos in the amount of € 1.9 million.

Sanquin has a financial interest in another company that is not included in the consolidation: Vitaleech Bioscience NV in Rotterdam. Sanquin's equity interest is 11%.
Vitaleech is developing a substance to fight gum inflammation. Sanquin acquired most of the shares in the years 2000 to 2005 as compensation for products and services it supplied for Vitaleech's research. Because of uncertainty about the future profitability of the company, the interest has been fully written down.

7. Stocks

(€ 1000.-)	31-12-2012 €	31-12-2011 €
Raw materials and consumables and semi-manufactures	93,704	€82,549
Finished products and goods for resale	30,346	30,935
Contract fractionation work in progress	8,543	6,001
	132,593	**119,485**

The stocks have increased as a result of the expansion of the activities and because of the policy to increase the stocks of raw materials, consumables, semi-manufactures and finished products in connection with the higher safety margins in guaranteeing the blood supply.

In valuing the stocks, a provision for obsolescence has been taken into account for € 18.7 million (2011: € 10.3 million).

The stocks are at the free disposal of the Foundation. An exception to this is the work in progress involving contract fractionation for third parties. In the event of contract fractionation, Sanquin's contract party itself provides the plasma for fractionation. This plasma and the intermediate and end products created from it remain the property of the contract party throughout the entire production process. The value added by Sanquin as at the balance sheet date is reported as the work in progress.

8. Receivables

(€ 1000.-)	31-12-2012 €	31-12-2012 €
Trade receivables	68,998	54,094
Taxes and social security contributions	5,389	3,708
Other receivables, prepayments and accrued income	8,094	8,723
	82,481	**66,525**

All receivables have a remaining term of less than one year.

Trade receivables

(€ 1000.-)	31-12-2012	31-12-2011
	€	€
Trade receivables	69,783	54,188
Debit: provision for bad debt	-785	-94
	68,998	**54,094**

Taxes and social security contributions

(€ 1000.-)	31-12-2012	31-12-2011
	€	€
Turnover tax	4,895	3,268
Social security charges	494	440
	5,389	**3,708**

Other receivables, prepayments and accrued income

(€ 1000.-)	31-12-2012	31-12-2011
	€	€
Security deposits	31	129
Prepaid expenses	1,862	3,675
Amounts to be received	6,201	4,919
	8,094	**8,723**

No securities have been provided to other parties with regard to the receivables.

9. Liquid assets

The item liquid assets in the cash flow statement can be specified as follows:

(€ 1000.-)	31-12-2012	31-12-2011
	€	€
Cash	69	40
Bank balances	15,370	15,360
Deposits	61,923	60,644
	77,362	**76,044**

The deposits all have a remaining term of less than one year.

10. Equity

The equity is further explained in the notes to the balance sheet in the separate annual accounts.

11. Share of third parties

Changes in the share of third parties were as follows:

(€ 1000.-)	2012	2011
	€	€
Balance as at 1 January	18,664	18,760
Result for the financial year	617	-96
Balance as at 31 December	**19,281**	**18,664**

12. Provisions

(€ 1000.-)	31-12-2012 €	31-12-2011 €
Employee provisions	11,966	13,062
Deferred tax liabilities	5,700	5,378
Other provisions	0	374
	17,666	**18,814**

Changes in the provisions are as follows:

(€ 1000.-)	Employee provisions	Deferred taxes	Other provisions	Total
Balance as at 1 January 2012	13,062	5,378	374	18,814
Allocation	2,787	322	0	3,109
	15,849	5,700	374	21,923
Withdrawals	-239	0	0	-239
Release	-3,644	0	-374	-4,018
Balance as at 31 December 2012	**11,966**	**5,700**	**0**	**17,666**

The employee provisions consist of obligations relating to existing redundancy arrangements, reorganisation costs, reserved pension contributions and contributions to be compensated, long-service bonuses and continued payment in the event of long-term illness. The allocation of € 2.8 million to employee provisions is due to the expansion of the scope of the reorganisation provision made in 2011 in relation to the 2015 Blood Bank reorganisation. The provision made in 2011 was solely related to the reorganisation of the primary blood bank operations. The scope of the reorganisation was expanded in 2012 by including the associated facilities processes in the reorganisation as well. The release of € 3.6 million from the employee provisions is also related to the provision for the 2015 Blood Bank reorganisation. Based on the initial results of the placement process in the context of this reorganisation it is evident that there was a higher natural turnover of staff at the blood bank than foreseen and that more people than expected have accepted a job elsewhere within Sanquin. Consequently, it is expected that fewer people will avail themselves of the facilities available under the Social Plan, as a result of which it was possible to reduce the reorganisation provision made last year.

A provision for deferred taxes has been created for the differences between the valuation for tax purposes and the corporate valuation of balance sheet items of CAF-DCF that result in a future obligation to pay corporation tax.

The provisions can largely be regarded as long term (longer than one year).

13. Long-term debt

(€ 1000.-)	Repayment value as at 31-12-2012 €	Repayment obligation 2013 €	Remaining term > 1 year €	Remaining term > 5 years €
Loans	28,500	0	28,500	0
Debts to credit institutions	8,884	2,078	6,806	0
Balance as at 31 December	**37,384**	**2,078**	**35,306**	**0**

Repayment obligations due within 12 months from the end of the financial year as explained above are included in the short-term debts. The valuation of the long-term debts at repayment value approximates the amortised cost price of the debts.

Loans

The loans concern:

- A loan from the Landsteiner Foundation for Blood Transfusion Research (LSBR) of € 20.0 million. This loan runs to the end of 2014 and interest of 4.75% is owed on the outstanding amount. No securities have been provided for this loan.
- A loan from Baxter of € 8.5 million to finance the process installations for the contract fractionation for Baxter. This loan runs to the end of 2024 and the outstanding amount is interest-free. Securities have been provided for this loan in relation to the specific process installations that are being installed for this contract. The loan will be repaid by granting a discount on the agreed rate for contract production. The amount of the loan is expected to be increased in 2013 as a result of the continued investments in the process installations.

Debts to credit institutions

This involves three loans from credit institutions for investments in the Belgian production facilities. A new loan was taken in 2012 for a total amount of € 2.0 million. In addition, an amount of € 1.6 million was repaid in 2012. The loans have terms ranging from 1-10 years and interest rates ranging from 2.8% to 4.5%. CAF provided the lenders with securities in the form of mortgage rights and pledge rights to CAF's assets for these loans.

14. Short-term debt

(€ 1000.-)	31-12-2012	31-12-2011
	€	€
Repayment obligations	2,078	1,292
Salaries and holiday allowance	15,331	13,561
Debts to suppliers and trade credit	44,285	29,740
Taxes and social security contributions	6,984	6,392
Pension contributions	1,430	1,380
Other liabilities, accruals and deferred income	17,476	16,725
Balance as at 31 December	**87,584**	**69,090**

The short-term debts all have a remaining term of less than one year.

15. Off-balance-sheet assets and commitments

As at the balance sheet date, Sanquin has entered into investment commitments for € 58.6 million. These are investments for the new construction to expand the Plasma Products and Research facilities and the process equipment for the preparation of plasma products and laboratory equipment. Approximately half of the investment commitments have a term of less than one year and the other half have been entered into for a term of up to 5 years. These investment commitments are being financed by Baxter to the amount of € 16.5 million under the terms of the financing loan for process installations for third parties on behalf of Baxter.

Sanquin rents donor centres at many locations. The annual rental obligation related to this is € 1.7 million. The various leases have terms of between 1 and 5 years.

In particular for the fleet, lease contracts have been concluded with an annual financial obligation in the amount of € 0.6 million. The lease contracts have a maximum term of 5 years.

A number of parties have been provided with bank guarantees totalling € 0.4 million. In addition, Sanquin has issued a security deposit for the Xenikos participating interest's obligation arising from an innovation credit granted to Xenikos in the amount of € 1.9 million.

Notes to the profit and loss account

16. Net turnover

The net turnover can be broken down by geographic area as follows:

(€ 1000.-)	2012	2011
	€	€
The Netherlands	251,667	259,747
Outside the Netherlands	133,410	121,430
	385,077	**381,177**

The net turnover can also be broken down as follows by main category:

(€ 1000.-)	2012	2011
	€	€
Blood Banks turnover	154,679	162,430
Plasma Products turnover	192,265	179,708
Diagnostic Services turnover	20,661	19,634
Reagents turnover	9,250	9,364
Research and Pharmaceutical Services turnover	8,222	10,041
	385,077	**381,177**

17. Wages and salaries

The costs for wages, salaries, social charges and pension contributions increased by € 7.5 million in 2012. The key contributing factor was the increase in salaries in accordance with the Sanquin CLA. Furthermore, social charges and pension contributions were also increased. Finally, the employee complement of the Plasma Product division rose in line with the increase in turnover.

(€ 1000.-)	2012	2011
	€	€
Wages and salaries	125,234	119,582
Social security charges	17,861	16,353
Pension charges	9,090	8,785
	152,185	**144,720**

18. Average number of employees

During the year 2012, the company employed 2,498 people on average, based on full-time employment (2011: 2,545). 233 of these employees were working abroad (2011: 207).

19. Remuneration of the Executive Board

The total remuneration of the Executive Board, including social security charges and pension contributions, was € 762. In 2011, the total remuneration of the Executive Board was € 773. The breakdown is as follows:

(€ 1000.-)

2012	Remuneration	Social charges	Pension contributions
A. van Os (from 1-9-2012)	66	3	7
T.J.F. Buunen (to 1-9-2012)	176	5	20
H.J.C. de Wit	233	7	21
R.A.W. van Lier	192	7	25
2011	**Remuneration**	**Social charges**	**Pension contributions**
T.J.F. Buunen	263	5	29
H.J.C. de Wit	230	5	25
R.A.W. van Lier	190	7	20

The salaries of the members of the Executive Board were adjusted in 2012 on the basis of the Sanquin CLA. The remuneration of the Executive Board is consistent with the Dutch remuneration code for directors in the healthcare sector (Beloningscode Bestuurders in de Zorg).

In addition, in 2012 the Foundation incurred staff costs related to a former member of the Executive Board who is still employed by Sanquin:

2012	Remuneration	Social charges	Pension contributions
T.J.F. Buunen (from 1-9-2012)	88	2	10

20. Remuneration of the Executive Board

The payment to the Supervisory Board was € 27 (2011: € 30) and can be specified as follows:

(€ 1000.-)	2012 €	2011 €
B. Löwenberg	7	7
J.H. Schraven	16	16
M.J. van Rijn (tot 1-9-2012)	4	7
F.C. Breedveld*)	0	0
Ms K. Bergstein (vanaf 1-9-2012) *)	0	0

*) For some members of the Supervisory Board, Sanquin pays the compensation directly to a charity or the employer. In 2012 this concerned € 15.

21. Depreciation and other value adjustments of tangible fixed assets

(€ 1000.-)	2012 €	2011 €
Tangible fixed assets (section 5)	25,045	21,857
	25,045	**21,857**

The 2012 depreciation costs included an amount of € 2.5 million related to an impairment of the stem cell laboratory. Based on a negative adjustment of the expected revenues from contract research, the book value of the stem cell laboratory was completely written off in 2012.

22. Other operating expenses

(€ 1000.-)	2012 €	2011 €
Other personnel expenses	10,165	20,611
Accommodation expenses	17,758	16,678
Donor expenses	3,295	3,605
Transport expenses	4,136	3,869
General expenses	68,352	67,125
	103,706	**111,888**

General expenses

(€ 1000.-)	2012 €	2011 €
Maintenance costs	10,691	**8,364**
Costs of publicity	4,753	**4,596**
Travel, accommodation and representation expenses	3,463	**3,756**
Office costs	1,470	**1,660**
Communication costs	3,572	**3,623**
IT costs	14,881	**19,574**
Consulting/auditing fees	5,423	**6,281**
Costs of external services	8,004	**10,517**
Insurance and Taxes	2,886	**2,673**
Other expenses	13,209	**6,081**
	68,352	**67,125**

23. Auditor's fees

The following amounts in auditor's fees for the services of PricewaterhouseCoopers Accountants N.V. were charged to the result:

(€ 1000.-)	2012 €	2011 €
Audit of the annual accounts	321	308
Other audit activities	5	18
Tax advice	0	0
Other non-audit services	0	0
	326	**326**

The fees above relate exclusively to the work performed at the company and the companies included in the consolidation by audit organisations and independent external auditors as referred to in Section 1 (1) of the Audit Firms (Supervision) Act (Wet toezicht accountantsorganisaties).

24. Financial income and expenditure

(€ 1000.-)	2012 €	2011 €
Revenue from tangible fixed assets	0	0
Revenue from financial fixed assets	-1,035	0
Interest income	1,584	3,714
Interest expenses	-1,544	-3,302
	-995	**412**

25. Costs of research and development

The research and development costs charged to the result for 2012 amounted to € 29.7 million (2011: € 27.0 million).

26. Tax on result from ordinary business operations

Sanquin Blood Supply Foundation is a non-profit organisation. With regard to the Foundation's commercial activities, agreements have been made with the tax authorities on the determination of the taxable amount and the corporation tax owed on this.

Separate Annual Accounts 2012

Balance sheet as at 31 December 2012

(prior to profit appropriation)

(€ 1000.-)	Ref.	31 December 2012 €	31 December 2012 €	31 December 2011 €	31 December 2011 €
Assets					
Fixed assets					
Tangible fixed assets		147,058		128,912	
Financial fixed assets	28	19,777		18,846	
			166,835		**147,758**
Current assets					
Stocks		103,094		89,390	
Receivables	29	64,349		58,491	
Liquid assets	30	76,994		74,971	
			244,437		**222,852**
			411,272		**370,610**

(€ 1000.-)	Ref.	31 December 2012 €	31 December 2012 €	31 December 2011 €	31 December 2011 €
Liabilities					
Equity	31				
Foundation capital		1,957		1,957	
Designated reserve	32	15,781		16,031	
Other reserves		265,182		244,846	
Result for the financial year		23,271		20,086	
			306,191		**282,920**
Provisions	33		11,953		13,408
Long-term debt	34		28,500		23,550
Short-term debt	35		64,628		50,732
			411,272		**370,610**

Profit and loss account for 2012

(€ 1000.-)	2012		2011	
	€	€	€	€
Net turnover	331,416		327,700	
Change in stocks of finished products and work in progress	29,599		1,853	
Other operating income	9,034		8,773	
Total operating income		**370,049**		**338,326**
Costs of raw materials and consumables	105,121		75,796	
Wages and salaries	112,224		106,794	
Social security charges incl. pension	22,631		20,880	
Depreciation of tangible fixed assets	20,116		17,491	
Other operating expenses	86,484		97,678	
Total operating expenses		**346,576**		**318,639**
Operating result		23,473		19,687
Revenue from tangible fixed assets		0		0
Revenue from financial fixed assets		0		0
Interest income		1,567		3,692
Interest expenses		-1,270		-3,127
Result from ordinary business operations before taxes		**23,770**		**20,252**
Tax on result from ordinary business operations		-130		-110
Result of participating interests		-369		-56
Result after taxes		**23,271**		**20,086**

Notes to the balance sheet and profit and loss account

27. General

The separate annual accounts have been drawn up in accordance with the statutory provisions of Title 9, Book 2 of the Dutch Civil Code and the authoritative statements from the Annual Reporting Guidelines published by the Dutch Accounting Standards Board.

The same accounting policies apply for the separate annual accounts as for the consolidated annual accounts. Participating interests in group companies are valued according to net asset value in line with section 2.5 of the consolidated annual accounts.
See the notes to the consolidated balance sheet and profit and loss account for the accounting policies for the valuation of assets and liabilities and for the determination of the result.

28. Financial fixed assets

Changes in the financial fixed assets can be specified as follows:

(€ 1000.-)	Participating interests in group companies	Total
	€	€
Balance as at 1 January 2012	18,846	18,846
Investments	1,300	1,300
Result of participating interests	-369	-369
Divestments	0	0
Balance as at 31 December 2012	**19,777**	**19,777**

List of participating interests

The participating interests held directly by Sanquin Blood Supply Foundation are:

Fully consolidated	Share in issued capital as %
CAF-DCF cbva, Brussels	50,01
Sanquin Oy, Helsinki	100,00
Euroclone BV, Amsterdam	100,00

Not consolidated

The not consolidated participating interests qualify as affiliated parties in which Sanquin Blood Supply Foundation can exercise decisive influence. The Foundation has not declared itself guarantor for the debts of the consolidated participating interests and has no obligation or intention to do so.

Capital interests that do not qualify as participating interests	Share in issued capital as %
Vitaleech BV, Rotterdam	11,00
Xenikos BV, Nijmegen	37,44

29. Receivables

(€ 1000.-)	31-12-2012 €	31-12-2011 €
Debtors	54,015	46,771
Taxes and social security contributions	4,869	3,252
Other receivables, prepayments and accrued income	5,465	8,468
	64,349	**58,491**

30. Liquid assets

(€ 1000.-)	31-12-2012 €	31-12-2011 €
Cash	69	40
Bank balances	15,002	14,288
Deposits	61,923	60,643
	76,994	**74,971**

31. Equity

(€ 1000.-)	Foundation capital €	Designated reserve €	General reserve €	Undistributed profit €	Total
Balance as at 1 January 2012	1,957	16,031	244,846	20,086	282,920
Changes					
Result for the current financial year	0	0	0	23,271	23,271
Profit appropriation	0	-250	20,336	-20,086	0
Other changes in the reserves	0	0	0	0	0
Balance as at 31 December 2012	**1,957**	**15,781**	**265,182**	**23,271**	**306,191**

32. Designated reserve

The designated reserve relates to the equalisation reserve for research. This reserve was originally created from the positive operating balances of the former Dr Karl Landsteiner Research Foundation, which was absorbed by Sanquin in the merger. With effect from 2004, the costs for product and process development for short shelf-life blood products still to be spent have been added to this. Commitments for this expenditure have already been made to internal projects. In accordance with the Executive Board's decision concerning the appropriation of the 2011 result, on balance € 0.2 million was withdrawn from the equalisation reserve.

33. Provisions

(€ 1000.-)	31-12-2012 €	31-12-2011 €
Employee provisions	11,953	13,062
Other provisions	0	346
	11,953	**13,408**

The employee provisions consist of obligations relating to existing redundancy arrangements, reorganisation costs, reserved pension contributions and contributions to be compensated, long-service bonuses and continued payment in the event of long-term illness.
The other provisions have been formed primarily for risks relating to product liability.
The provisions can largely be regarded as long term (longer than one year).

34. Long-term debt

(€ 1000.-)	Repayment value as at 31-12-2012 €	Repayment obligation 2013 €	Remaining term > 1 year €	Remaining term > 5 years €
Loans	28,500	0	28,500	0
Debts to credit institutions	0	0	0	0
	28,500	**0**	**28,500**	**0**

35. Short-term debt

(€ 1000.-)	31-12-2012 €	31-12-2011 €
Salaries and holiday allowance	13,057	11,588
Debts to suppliers and trade credit	35,103	24,260
Taxes and social security contributions	6,902	5,645
Pension contributions	1,375	1,334
Other liabilities, accruals and deferred income	8,191	7,905
	64,628	**50,732**

36. Affiliated parties

The transactions between Sanquin Blood Supply Foundation and its affiliated parties - CAF-DCF, Sanquin Oy and Euroclone - primarily involve plasma fractionation that Sanquin and CAF-DCF perform for each other. The prices charged on for these activities are in line with the market.

Amsterdam, June 13th 2013

Sanquin Blood Supply Foundation

Executive Board
A. van Os
H.J.C. de Wit
Prof R.A.W. van Lier

Supervisory Board
Prof F.C. Breedveld
Prof B. Löwenberg
Ms K. Bergstein

Other information

Proposal for profit appropriation

The Executive Board has decided to add the result after tax of € 23.3 million to the general reserve.
In 2012 the difference between the resources for product and process development of € 10.7 million achieved by means of a mark-up on the prices for short shelf-life blood products and the actual research expenditure for product and process development of € 12.8 million was, on balance, € 2.1 million. The Executive Board decided to withdraw this difference between research expenditure and funds obtained of € 2.1 million from the designated equalisation reserve for research and add it to the general reserve.

The Executive Board decided to create a new designated reserve for International Cooperation in 2013. This reserve will be created through means of an allocation from the general reserve in the amount of € 1.4 million. This amount forms part of the 2012 result and consists of a contribution received for a development project that due to its efficient implementation turned out to be cheaper than originally expected. By creating a designated reserve for the monies received, these funds will continue to be available for development projects.

Events after the balance sheet date

There were no events after the balance sheet to be reported.

Independent auditor's report

To: the Executive Board and Supervisory Board of Sanquin Blood Supply Foundation

Report on the financial statements

We have audited the accompanying financial statements 2012 as set out on pages 33 to 67 of Sanquin Blood Supply Foundation, Amsterdam, which comprise the consolidated and company balance sheet as at 31 December 2012, the consolidated and company profit and loss account for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Executive board's responsibility

The Executive board is responsible for the preparation and fair presentations of these financial statements and for the preparation of the Executive board's report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the foundation's preparation and fair presentation of the financial statements 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 foundation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Sanquin Blood Supply Foundation as at 31 December 2012, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the annual report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the annual report, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Amsterdam, June 13th 2013
PricewaterhouseCoopers Accountants N.V.
J.L. Sebel RA

Credits

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