Sanquin Blood Supply is responsible for safe and efficient blood supply in the Netherlands on a not-for-profit basis. Sanquin also develops and produces pharmaceutical products, conducts high-quality scientific research, and develops and performs a multitude of diagnostic services. Continuous research and innovation lead to new and improved products and services. Quality and development therefore go hand in hand.

Download the full Sanquin Annual Report 2013 here

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Sanquin
Blood Supply

IN MOTION

Sanquin Blood Supply

ANNUAL REPORT 2013





ANNUAL REPORT 2013

Blood and Beyond

SANQUIN IN MOTION

Mission

Sanquin is a knowledge-driven not-for-profit organisation that supplies life-saving products, focussing on the needs of the care sector. Through scientific research, we look for and find new solutions for medical problems in the field of transfusion medicine, haematology and immunology.

Vision

Sanquin supplies optimal solutions for patients, in the area of therapy and diagnostics. Blood is the basis for this and forms our inspiration, but our vision is not limited to blood alone. We operate on a global scale with our expertise in the fields of transfusion, haematology and immunology, and thanks to our own product portfolio and product activities for third parties.

Sanquin is the 'Netherlands Blood Institute' that innovates and enhances the blood supply and transfusion medicine, based on medical, pharmaceutical and scientific knowledge. And this is where we play a leading role worldwide. Sanquin is an ambassador for voluntary, unpaid blood donation.

We are a knowledge centre where translational research forms the bridge between fundamental and clinical research, resulting in innovation in the health care sector.

We are aware of the broad impact our activities have and consider sustainability, quality and reliability essential.

Strategy

The strategies of the Plasma Products, Blood Bank, Research, Reagents and Diagnostic Services divisions focus strongly on innovation, efficiency and organisation. These three elements are essential to achieving our goals. The corporate strategy supports division goals, adjusting structure and processes to achieve optimal synergy in the domains of knowledge, expertise and costs.

SANQUIN AND 2013 **IN BRIEF**

393.4
net turnover
in millions of euro

+23%
Turnover outside
the Netherlands

19
researchers defended
their thesis

255
papers in international
scientific journals

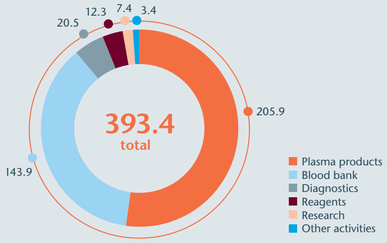
2,880
total number
of employees
at 31-12-2013

12.8 years
the average term
of employment

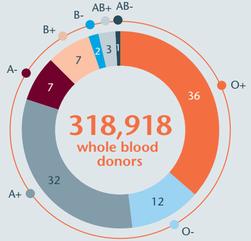
448,488
bags of red blood cells delivered
to hospitals (in donor units)

380,289
total number of donors

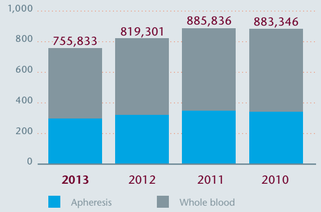
Turnover specification per division
in millions of euro



Whole blood donors per blood group
in %



Number of donations



THE BEST BLOOD SUPPLY

The blood supply in the Netherlands is one of the safest in the world

4

SOLUTIONS FOR PATIENTS

New products and services thanks to our 'under-one-roof' formula

8

AN INDEPENDENT ACTOR IN THE INTERNATIONAL PHARMACEUTICAL AND DIAGNOSTIC FIELDS

Growth and self-sufficiency

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INVESTING IN A CUSTOMER-ORIENTED OGANISATION

Sanquin continues to be built by the people who work there

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A SUSTAINABLE, FINANCIALLY SOLID ORGANISATION

Responsible, careful financial management

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INDEPENDENT AUDITOR'S REPORT

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INNOVATION, COST-EFFECTIVENESS AND COMPLIANCE

It is customary for annual reports to look back at past events. This report will certainly do so, but it also looks to the future. 2013 was not only 'business as usual'. Over the past year, a number of initiatives and projects were launched that will have a major impact on Sanquin's future, and also on the futures of patients and their care providers.

FOREWORD

"Innovatively developing solutions for patients worldwide."

These goals are a good match for a knowledge-driven organisation with strong roots in society, an organisation like Sanquin. We operate in a dynamic, international environment that encourages us to continually adapt processes, refine our objectives and develop new products and services.

It is our core task to innovatively develop solutions for patients worldwide. Our 'everything under one roof' approach plays a key role. In 2013, we took a number of steps to further increase this synergy in terms of knowledge, expertise and cost. We closely examined our own organisation. This led to redefinition of our mission and vision. The strategy Sanquin will pursue in the coming years has been adjusted to reflect these changes.

Cost-effectiveness is an important theme for every part of Sanquin. The Blood Bank 2015 reorganisation process, which was initiated to improve the Blood Bank's cost-effectiveness and efficiency, illustrates the importance of this issue. The reorganisation was in full swing in 2013. Once again, the Blood Bank performed its duty - to ensure sufficient safe, high-quality blood - in an exemplary fashion during the reporting year. However, we also faced a further reduction in the use of blood products by hospitals. That forces us to deploy further efficiency measures.

The significant reduction in expenditure for the blood supply in the Netherlands is evidence that Sanquin is on course towards achieving cost-effectiveness. In 2011, this expenditure amounted to around 195 million euros, a figure that has dropped to about 165 million euros, representing a 15% reduction. Sanquin manages the blood supply efficiently and cost-effectively compared with other European countries as well: the Netherlands has one of the lowest per capita blood utilisation rates. Sanquin's investments in scientific research, education and consulting services by transfusion doctors have successfully resulted in low blood product consumption in the Netherlands.

Sanquin is a research-driven organisation. Over the past year, a number of major grants were awarded to our research projects. This is vitally important, as researchers are dependent on external financial support for their work. A variety of promising research programmes were launched and are expected to benefit patient care.

The Xenikos project, for example, a joint venture with a biotech company, focused on developing an orphan drug against graft-versus-host disease.

Cost-effective production of medicinal products from plasma requires a certain volume. The volume required for Dutch patients represents about 15% of this total. Therefore, Sanquin is increasingly focusing on contract manufacturing for third parties through long-term contracts with international partners. The requisite growth in manufacturing capacity for plasma fractionation is on schedule. In 2013 and 2014, Sanquin will invest a total of about 30 million euros in new equipment, storage space and other required materials.

There was also an issue of concern during the past year. In the fall of last year, Sanquin received a warning letter from the FDA, as compliance with medicinal-product quality-assurance guidelines was insufficient in some areas, despite the significant investments made in recent years. We are taking this warning extremely seriously; we immediately deployed extensive measures to ensure the quality systems comply with FDA requirements. Completion of this Compliance Enhancement Programme is scheduled for 2015.

In this report, you will read about what we have achieved during the past years, thanks to our 2,500 colleagues and the 400,000 blood donors who freely gave their blood. On behalf of the Executive Board and all Sanquin employees, I am pleased to present the 2013 annual report.

Aart van Os
Chairman of the Executive Board

Large-scale research into platelets

The Sanquin Platelet Safety Programme was launched in 2013. This large-scale study will investigate 80,000 platelet transfusions administered in the 20 largest hospitals in the Netherlands over a four-year period. The study will look at side-effects and clinical effects among platelet recipients and at relevant information including use of medication among platelet donors. The goal is to gain insight into the advantages and disadvantages of platelet transfusion. It will also help determine the most effective treatment methods.

THE BEST BLOOD SUPPLY

The blood supply in the Netherlands is one of the safest in the world, but that is no reason for complacency. We continuously ask ourselves: what can we do to improve our products? How can we work more efficiently? Are certain screening tests really necessary, or are they making blood products unnecessarily expensive? And how do we ensure patients everywhere can benefit from our knowledge and experience? As part of our efforts, we seek cooperation with others: stakeholders within the Netherlands, and also with international organisations.

Decreasing demand for blood products

Demand from hospitals for erythrocyte concentrates and other blood products is still declining. Reasons include more stringent application of transfusion guidelines by hospitals, improved surgical techniques resulting in a lower need for blood, and less waste due to improved stock management and logistics.

This decreasing demand means the Blood Bank division needs to cut costs by an additional € 14.8 million on top of the savings already planned as part of the 'Blood Bank 2015' efficiency programme. Increasing efficiency and cost reductions, including those of support services, must jointly lead to the necessary savings. However, the Blood Bank division will have to downsize: a total of 118 FTEs will need to be made redundant in order to streamline the organisation to address the declining demand for blood products in the Netherlands. An agreement on a redundancy scheme was reached with the unions and the works council in late 2013.

ISBT congress in Amsterdam

Sanquin, together with the Dutch Blood Transfusion Society, had the honour of hosting the 23rd regional congress of the International Society for Blood Transfusion (ISBT) in 2013, being responsible for the scientific and educational programme.

From 2 to 6 June, over 2,500 participants from 92 countries visited the Amsterdam RAI, where they gained insights into current developments in transfusion technology, blood transfusion research and cellular therapies.

In late 2013, Ellen van der Schoot, senior researcher at Sanquin and Professor of Experimental Immunohematology, was appointed scientific secretary of the ISBT.

ISBT International Society of Blood Transfusion

Presidency of the European Blood Alliance

Within the European Blood Alliance, European blood supply organisations work together to improve the European blood supply. The presidential term of Jeroen de Wit, vice-chairman of Sanquin's Executive Board, ended in December 2013, after six years of service. During that period, the EBA developed into a professional, internationally respected organisation that represents the interests of its members with numerous EU institutions in Brussels and takes concrete actions to improve member performance. Individual blood supply organisations benefit greatly from the recommendations provided by EBA experts in areas including safety, efficiency, and many others. EBA's central office is to remain in Amsterdam.

Award for new plastic

The SolVin Award is a prestigious prize within the PVC sector, awarded for technological and environmentally conscious projects. In 2013, Sanquin won the Special Prize in the Innovation category for the new PVC foil it developed in cooperation with a number of suppliers (BASF, Renolit and Fresenius Kabi). This new plastic for medical applications is expected to enable the elimination of plasticiser DEHP in bag systems for the collection and storage of blood products in a few years.

Graduation

In March of the reporting year, Sam Uringtho from Uganda and Vincent Mtweve from Tanzania obtained their Master of Management of Transfusion Medicine (MMTM) after completing their internships at Sanquin. This post-doctoral master's degree is designed for (potential) managers of blood supply organisations in countries with emerging economies. The two-year degree programme was designed by the IDTM academic institute, which is a joint venture between Sanquin, the University of Groningen and the University Medical Center Groningen. The first nine modules are completed in the candidate's home country via e-learning. Students subsequently travel to the Netherlands to complete the remaining five modules and a five-month internship in various Sanquin departments.

Limits to blood safety

How safe does donor blood need to be? Can certain safety measures be omitted in order to reduce the cost of blood products? PhD student Koen Kramer will be doing a philosophical-ethical study of this topic, commissioned by Sanquin. This study is part of Sanquin's efforts to implement a recommendation from the Ministry of Health, Welfare and Sport to examine a number of safety measures. The study will provide a moral framework that can be applied to decisionmaking regarding introducing or doing away with tests.

Additionally, since 2013 Sanquin has been participating in the international Risk Based Decision Making (RBDM) project via the European Blood Alliance (EBA), which is working towards the development of an integrated risk framework to be used for key policy and operational changes in the blood industry. Among other things, the framework provides explicit guidance on the process of risk management, using methods and experiences gained in other fields (such as health economics) and involving stakeholders in decision-making processes. Additionally, a web portal designed to share examples of risk-based decision making with other blood transfusion organisations is being developed.

Hemophilia in Indonesia

The treatment of hemophilia in Indonesia is still in its infancy. Sanquin is contributing to a development project to diagnose Indonesian patients by providing diagnostic equipment and training local staff. 2013 also saw the Indonesian marketing authorisation of the medicinal product Aafact®, which greatly benefits patients with hemophilia.

European funding for donor health care

In 2013, the European Union awarded Sanquin a grant to develop a European curriculum in the field of donor health care. Thanks to this grant, Sanquin launched the three-year Donor Health Care project in 2013, a joint effort with various partners to create a European e-learning programme for professionals working in donor health care.

Together with the Netherlands Association for Donor Medicine (NVDG) and institutions that focus on donors who donate tissue and/or organs, Sanquin has been working towards the accreditation of donor health care as a new medical speciality for years. This speciality includes donation of cells, tissue and organs.

Expansion of the cord blood bank

The Minister of Health, Welfare and Sport consented to the expansion of the cord blood bank in 2013. This permission was required because Sanquin is funding the expansion with capital resources from the Blood Bank division. Sanquin will invest heavily in tripling the size of the cord blood bank in the coming years, in hopes that the bank will provide a large pool of cord blood stem cells. This will make it easier for hospitals in the Netherlands to find a proper match for their patients; this can save lives. A larger cord blood bank also reduces the Netherlands' reliance on international stem cell banks and enables enhanced contribution to the international exchange of stem cell products from cord blood.

ANAEMIA

Professor of Transfusion Medicine

The appointment of Jaap Jan Zwaginga as Professor of Clinical Transfusion Medicine at Leiden University has strengthened the ties between Sanquin and Leiden University. Zwaginga is a hematologist at the Leiden University Medical Center. He is also a senior investigator at Sanquin. He investigates the efficacy and safety of blood products in transfusions after acute bleeding or after chemotherapy. The goal is to tailor blood transfusions to individual patients.

OUR AMBITIONS
FOR PATIENTS

VEL-NEGATIVE

1 in 5,000
people

SOLUTIONS FOR PATIENTS

Sanquin is a research-driven organisation. The research we perform leads to real solutions for patients. Thanks to our unique organisational structure, all disciplines at Sanquin work together under one roof to develop new products, treatment methods and services.

The research performed at Sanquin is divided into a number of medical areas of interest: **anaemia, bleeding and clotting, cancer, inflammatory and vascular diseases, and immune deficiency and ageing.** Sanquin translates the results of scientific research into new products, therapies and services.

ANAEMIA

Mysterious blood group identified

Sanquin researchers, together with colleagues from England, Nijmegen and Groningen, discovered the gene for a blood group that has remained a mystery for over 60 years: the Vel blood group. Almost everyone has this blood group; only one in 5,000 people is Vel negative. If these Vel-negative people receive a red cell transfusion, they may develop antibodies against Vel and become seriously ill. After that, they can only tolerate erythrocytes from Vel negative donors, who are very rare. Now that the molecular background of Vel has been mapped, reliable tests can be developed to identify people who do not have the Vel blood group.

ANAEMIA

Cultured blood

A special project to culture blood from stem cells was launched in 2013. This cultured blood is an excellent solution for patients with unique blood groups and patients who regularly receive blood transfusions - for example due to chronic anaemia. These patients can develop immune reactions against donor blood, and become dependent on perfectly tailored combinations of blood group antigens. These combinations are rare and not always available. By culturing blood cells from stem cells, Sanquin can deliver ‘custom blood’, reducing the chances of immune reactions.

Sanquin previously produced erythrocytes from blood stem cells on a smaller scale for study purposes. This new project is being implemented on a much larger scale, aiming to administer cultured blood to multiple test subjects over the course of about two years. The project is made possible in part thanks to a grant from the Translational Adult Stem Cell (TAS) programme of the Netherlands Organisation for Health Research and Development, ZonMw.

ANAEMIA

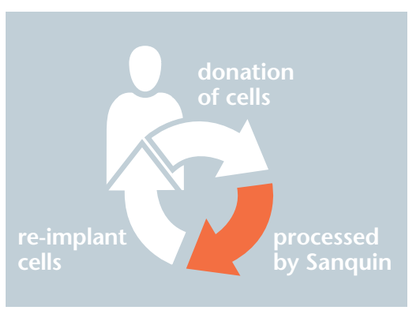
New Sanquin product

In 2013, Sanquin introduced the elution kit. In some patients, antibodies may adhere to the red blood cells. Using the elution kit, these antibodies can be ‘washed’ off the red blood cells so they can be studied. This is necessary in order to find an optimum match for blood transfusion to these patients and thus prevent transfusion reactions.

CANCER

Medicine for graft-versus-host-disease

Sanquin is working with Xenikos BV, a biotechnology company developing an experimental medicine: T-Guard™. This medicine is designed to combat the severe rejection responses - so-called graft-versus-host disease - that patients can develop after receiving a bone marrow transplant from a donor. In 2013, T-Guard™ was given orphan drug status by the FDA, bringing its availability for US patients a step closer. Additionally, Dutch authorities approved a clinical trial with patients, which began at the UMC St. Radboud in late December 2013.



BLEEDING AND CLOTTING

Hematology research programme

Sanquin has received a grant from the Landsteiner Foundation for Blood Transfusion Research for the new Molecular and Cellular Hematology research programme, a collaborative effort between various Sanquin research groups. This programme encompasses projects focused on improving the properties of blood cells and plasma proteins for the treatment of patients. Using state-of-the-art technology, mechanisms of biological processes are examined at the molecular level. With this research programme, Sanquin solidifies its position as a leading research institute in the field of transfusion medicine, cell biology, immunology and hemostasis.

BLEEDING AND CLOTTING

Omniplasma

During the reporting year, Sanquin largely organised the logistics of delivering the new plasma product Omniplasma to hospitals. This plasma is made from pooled apheresis plasma from Dutch donors. It is virus-inactivated and has also undergone a reduction step against prions. Compared to the other plasma product, Quarantine plasma, Omniplasma is expected to lead to fewer side-effects in recipients. Sanquin will continue to offer Quarantine plasma for special patient groups, such as IgA-deficient patients and for exchange transfusions.

CANCER

Better diagnostic services

Monoclonal antibodies are specific reagents that can help to standardise and improve the laboratory tests for various types of blood cancer. When used in flow cytometry, they are highly sensitive, allowing very accurate determination of the type of blood cancer. Sanquin has developed three CD monoclonal antibodies that are part of a larger collection of panel antibodies used across the globe in hospitals and diagnostic laboratories to diagnose specific types of blood cancer. In 2013, Sanquin successfully marketed these monoclonal antibodies via a US partner, one of the world’s largest companies in the field of flow-cytometry. Sanquin manufactures and supplies the monoclonal antibodies to this company, which subsequently creates complete test panels and distributes and sells them to diagnostic laboratories under their own brand.

CANCER

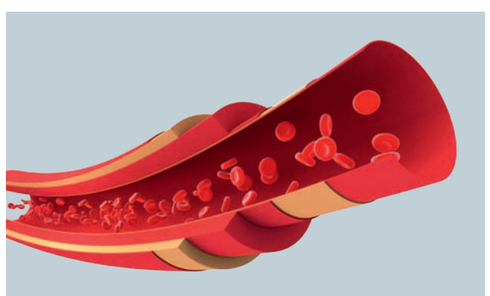
Medicine for prostate cancer

Sanquin is collaborating with the US company Dendreon, which has developed a medicine for patients with prostate cancer who no longer respond to hormone treatment. What is unique about this treatment is that it is dendritic cell therapy, a form of immune therapy which activates the patient’s own immune system to combat the cancer cells. Treatment of patients began in Europe in 2013; Sanquin, in cooperation with UMC St. Radboud in Nijmegen, collected certain types of white blood cells (monocytes) from patients with prostate cancer. Dendreon prepares these monocytes for use as a medicine against cancer.

IMMUNE DEFICIENCY AND AGEING

Vidi grant for Sanquin researcher

Dr Klaas van Gisbergen, researcher with Sanquin, has been awarded a Vidi grant by the Netherlands Organisation for Scientific Research (NWO) for his research into swift immune responses via immunologic memory. The Vidi grant is awarded to excellent researchers who have continued to perform successful research after obtaining their PhD degrees. These scientists are at the top of their fields.



AND MORE...

New Vademecum

Sanquin published the 8th edition of the handbook on diagnostic testing (Vademecum Diagnostisch Onderzoek). This publication informs health care professionals about the use of diagnostic tests in the diagnosis and treatment of patients.

Living with a rare disease

The book ‘Een zeldzame ziekte - je leeft ermee’ (a rare disease - how to live with it) describes, among other things, the history of hemophilia treatment and is a guide for patients with rare diseases. It was written by Cees Smit and Annemarie de Knecht-van Eekelen and is published by Sanquin.
It can be requested free of charge via marketing@sanquin.nl

INFLAMMATORY AND VASCULAR DISEASES

New product under the Sanquin brand

Sanquin has developed tests that allow the concentrations of certain therapeutic antibodies (biologicals) to be measured in the blood. This therapy is given to patients with rheumatic and intestinal diseases, among others. Using the tests, the therapeutic effectiveness of these antibodies can be tested. This is necessary because patients sometimes develop antibodies against the (very expensive) medicines, making continued therapy with these medicines futile. Sanquin performs these tests on behalf of hospitals; test kits became available in 2013 at customer request, initially only for research purposes. Once the products are authorised, the reagents can also be used to diagnose patients.

INFLAMMATORY AND VASCULAR DISEASES

Scientific publications

Sanquin researcher Stephan Huveneers contributed to the Journal Cell of Science. The article he wrote with Johan de Rooij (Hubrecht Lab) was part of the ‘Minifocus on Adhesion’ series. Their research focuses on how mechanical forces that act on the endothelium, such as shear, can lead to protective reactions in the blood vessels.

Shear is the frictional force generated by the velocity at which blood flows past endothelial cells. Endothelial cells experience shear as a positive signal, allowing them to properly regulate traffic between cells and transport of nutrients from the blood to surrounding tissues. Disruption in shear force or direction, for example due to irregularities in the vessel wall, removes this protective function. It is well known that the endothelium, in the presence of shear, protects blood vessels against atherosclerosis.

Rhesus vaccination

The Netherlands Institute for Public Health and the Environment (RIVM) issued a European tender for the delivery of rhesus immunisation. Pregnant women with blood group rhesus D negative are given this vaccine if they are pregnant with a rhesus D positive child. The rhesus vaccine is very important to prevent rhesus disease in the child and any subsequent children these pregnant woman may have. Sanquin collects the raw material (plasma) from volunteer, unpaid donors. This ensures an excellent safety level of the final product which, along with other product characteristics and the level of service provided by Sanquin as the supplier, led to Sanquin being awarded the tender. Sanquin already provided a portion of the rhesus injections, but winning the tender increased the share to 66%. The RIVM explicitly chose to source the remaining 34% from another party in order to manage risks. Over the next three years, Sanquin will provide the RIVM with about 70,500 rhesus vaccines.

Tuberculosis diagnostic services

Sanquin started offering a method for testing for latent tuberculosis infection (LTBI) using the IGRA Quantiferon-TB Gold test in 2013. This in-vitro blood test is a good alternative to the Mantoux test (the classic skin test); the same information is obtained in a simple way, with a lower burden for patients and greater specificity.

OUR AMBITIONS

INTERNATIONAL

FRACTIONATION CAPACITY

million litres of plasma per year

AN INDEPENDENT ACTOR IN THE INTERNATIONAL PHARMACEUTICAL AND DIAGNOSTIC FIELDS

Growth is required in order to sustain our manufacturing facility for medicines made from plasma, and to remain self-sufficient for the Dutch market. This growth is achieved, among other things, by exporting our own plasma medicines and expanding contract manufacturing for international partners. The Diagnostic Services and Reagents divisions are also active internationally.

Up-scaling

Contract manufacture is playing a growing role in the manufacture of medicines from plasma. For example, in 2012 we were contracted by the American pharmaceutical company Baxter to fractionate (process) a large amount of US plasma in the coming years. As a result, our fractionation capacity is increasing from 300,000 to over 2 million litres of plasma per year. In order to handle this up-scaling, 2013 saw extension of various parts of the factory, rental of new storage area and purchase of the required materials. In 2013 and 2014, Sanquin's investments in this up-scaling will amount to about 30 million euros. The first of the 200 new employees required to achieve this growth were also hired.

We have been manufacturing the medicine Cinryze using US (for the US market) and European plasma for patients who suffer from hereditary angio-oedema on behalf of US pharmaceutical company ViroPharma for several years now. Cinryze production represents a significant portion of our medicines turnover. In 2013, British biopharmaceutical company Shire announced its intention to acquire ViroPharma. This will occur in 2014, after which we continue to manufacture Cinryze commissioned by Shire.

FDA inspections

Sanquin is regularly inspected by various authorities, such as the US Food and Drug Administration (FDA) due to its international and contract manufacturing activities. Half-way through the reporting year, the FDA inspected our plasma medicines manufacturing facilities in Belgium and the Netherlands. This resulted in a warning letter, in which the FDA pointed out bottlenecks in the manufacture of medicine for the US market. In response, we immediately initiated the Compliance Enhancement Programme, a three-year programme to improve adherence to regulations and fine-tune procedures. Meanwhile, export of medicines to the US and other markets can continue unabated.

Pharmacovigilance

In early 2013, Sanquin drafted a pharmacovigilance (monitoring unwanted effects of medicines) project plan in order to implement recently updated legislation in this area across the entire organisation. Key points include creating the necessary procedures, contracts with third parties and training employees for their work in the field of pharmacovigilance.

Additionally, the Health Care Inspectorate (IGZ) performed a pharmacovigilance inspection which identified a number of areas for improvement, including increasing awareness among employees of their role in reporting side-effects. An internal information campaign was launched in response. The areas for improvement highlighted by the IGZ report and the project plan will be completed during the first half of 2014.

New distributor in China

Chinese hospitals and blood banks use our reagents to determine blood groups. In 2013, Sanquin partnered with a new Chinese distributor: Beijing Healtek Biology. This distributor is a major player in the laboratory equipment market for blood banks. The Chinese market for health care products is currently undergoing rapid development, and China wants to improve the quality of its blood supply in the years to come. This represents opportunities for expanding Sanquin's services to customers in China. We expect that supplying a combination of products and recommendations can contribute to improving blood transfusion practices in China.

OUR AMBITIONS

CUSTOMER-ORIENTED

INVESTING IN A CUSTOMER-ORIENTED ORGANISATION

Sanquin continues to be built by the people who work there. We encourage our employees to maximize their potential and in doing so, we improve our organisation. Our investments in human capital translate to the quality and service that Sanquin's customers experience.

Developing employee skills

Developing employee skills is a key area for attention at Sanquin. Qualified and involved employees are essential to realising organisation-wide goals. Leadership also plays a crucial role. In 2013, a leadership programme designed to provide leaders with insights and tools for clearly defining and deploying strategy was launched. The programme also aims to promote entrepreneurship and innovation within teams, and seeks to build connections between departments and divisions while supporting the manager's personal development. In 2014 and 2015, all managers at Sanquin will participate in the leadership programme.

Open day

During Science Weekend and Chemistry Day in October 2013, Sanquin opened its doors to the public for the event ‘Hidden treasures in our blood’. The day was aimed at secondary school students interested in studying science or technology. About 200 visitors were introduced to what we do and were given the opportunity to perform experiments, such as a blood group practical and examination of cells under a microscope.

DISTRIBUTION CENTRES

from **11** to **7** in 2015

Optimum services for hospitals

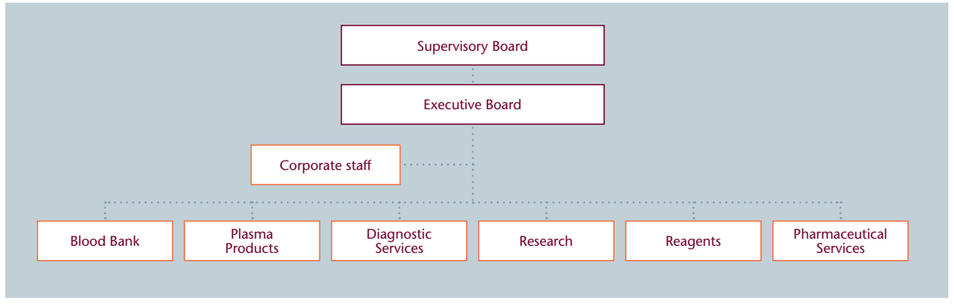
The Technology and Logistics working group of the National User Council advises on improvement and change processes in the blood supply chain. This working group consists of blood product users, such as clinical chemists working in hospitals, and Sanquin employees. During the reporting year, the working group focused a great deal of attention on reducing the number of blood distribution centres. By 2015, Sanquin will have reduced the number from eleven to seven. This downsizing is required due to the cost-saving measures imposed by the Ministry of Health, Welfare and Sport. Various hospitals have expressed concerns about the (timely) delivery of blood in the new situation. To address this, Sanquin drafted an action plan to proactively identify potential bottlenecks among customers in 2013.

A safe, healthy and productive environment

Sanquin is fully compliant with all Environment, Health & Safety (EHS) legislation and regulations, as evidenced by successful inspections performed by various agencies in 2013. During the reporting year, the EHS activities were transferred to the organisational staff in order to better address the spearheads: offering a safe, healthy and productive environment within Sanquin, and ensuring that production processes are as environmentally friendly as possible. Examples of activities undertaken include deployment of an EHS incident reporting system, improvement of fire safety by limiting the storage of flammable materials and waste, and intensifying surveillance thereof. Sanquin strives for a paperless work environment in order to reduce the amount of paper, paper waste and printer utilisation.

Employee survey

Sanquin believes it is very important to understand how employees feel about the organisation. Do they enjoy their jobs? Are the responsibilities clear? Is there room for personal initiative? These questions led to a new employee survey in 2013, four years after the previous one. Response was low, at just 36.5%. Outcomes included that employees feel that cooperation with other departments within Sanquin is improving and that they feel connected to the organisation, but they sometimes get the impression that the management does not listen to their concerns. In 2014, various working groups will address the areas for improvement.



A SUSTAINABLE, FINANCIALLY SOLID ORGANISATION

Sanquin works with voluntarily donated biological material from almost 400,000 donors. This entails great responsibilities, not in the least in solid financial management. We are extremely careful about how we handle our financial means, cash flow and investments, and communicate transparently on these matters.

Structure

Sanquin's activities in the Netherlands fall under the Sanquin Blood Supply Foundation. Since 2008, Sanquin has also had an interest of 50.01% in the Belgian Central Fractionation Unit of the Red Cross (CAF-DCF). This enterprise (a cooperative company with limited liability), in which the Belgian Red Cross and French plasma fractionation organisation LFB also participate, operates a fractionation plant in Belgium. Sanquin Oy is a Finnish subsidiary (100%) that maintains contacts with Finnish customers in Finland.

Other than the legally required annual accounts for Sanquin, this annual report also includes the financial results of the CAF-cvba and Sanquin Oy in the consolidation.

In accordance with competition legislation, Sanquin's administrative organisation makes a distinction between market-oriented activities (Plasma Products, Diagnostic Services and Reagents activities) and the public activities of the Blood Bank division.

Governance

Sanquin is transparent in reporting its activities and social responsibilities. The organisation complies with standards for good corporate governance and ensures clear accountability of its activities. The organisation is open to verification by civil society actors. When determining policy, insofar as said policy affects the organisation directly, Sanquin considers the views of donors, hospitals and other stakeholders. The Supervisory Board drafted a corporate governance code for Sanquin in 2006 based on the Tabaksblat Code and Corporate Governance code for health care.

Risks and risk management

Risk profile

Sanquin's activities are based in part on a public task mandated by the government of the Netherlands. Other activities are conducted in an international, free market context. Dutch government approval of the Sanquin budget and annual accounts is a legal requirement and focuses primarily on the public tasks. The free market activities, due to the nature of the market, involve unavoidable and different risks than the public activities.

Sanquin is committed to completely and frequently informing the government, customers and product users on this subject. The risks Sanquin is confronted with are evaluated per division and analysed at the corporate level.

Structure

In 2012, the Minister of Health, Welfare and Sport asked Sanquin to 'implement measures to ensure the blood bank's equity is not risk-bearing for the company's private activities, and vice versa'. In mid-2013, Sanquin submitted a proposal for structural changes to the minister that fulfils the minister's wishes and ensures all of Sanquin's activities can be continued in the current manner under the umbrella of the foundation. Sanquin and the Ministry of Health, Welfare and Sport are still elaborating the final version. The timing and method of implementation of the proposed measures is not yet known.

Lower turnover

Scientific developments have led to synthetic and biotechnological alternatives for specific plasma proteins being developed and marketed. This could endanger the responsible economic exploitation of plasma medicines in particular.

The decreasing demand for some products means fewer different products are distilled from the same amount of raw material. This reduces the number of actors supporting the joint costs of collecting, testing and preparing plasma medicines. Synthetic alternatives are or will be available for some products, and we expect sales to drop. A swifter than expected replacement of plasma medicines by synthetic and biotechnological alternatives may significantly affect the operating result.

Export

The export and contract manufacture of plasma medicines and semi-finished products is increasing. As a result, sales may fluctuate significantly year to year. Furthermore, Sanquin is more exposed than ever before to export risks and political risks associated with the countries to which deliveries are made. Without the contribution of exports and contract manufacturing, the supply of plasma medicines in the Netherlands will become more expensive, placing pressure on our market position.

Raw material

One of Sanquin's primary activities is supplying blood products for therapeutic use in humans. Collecting the raw material for these products, testing it and preparing it, occurs within a complex framework of national legislation and European directives. Sanquin complies with this legislation and these directives, which impose detailed quality assurance requirements, among other things. The raw material for many of our products is biological human material, which is consequently associated with a unique risk profile. We do everything possible to maximise the safety of our products, but are aware of the limitations imposed by a biological product in this regard. Therefore, research and development are required to continue in order to increase the quality and reliability of the products.

ICT

Sanquin has a variety of ICT systems (hardware, software, computer networks and data communication). The ICT infrastructure is designed to support the organisation effectively, reliably and safely. The continuity of operational processes is highly dependent on the proper functioning of the ICT systems. Consequently, the performance and effects of security measures in the ICT environment are monitored permanently, allowing swift course adjustments in the event of (potential) disruptions. Alternative procedures have been developed for applications that support time-critical processes, such as the national donation test laboratory, allowing work to continue in the event of technical problems. Additionally, an agreement has been reached with a laboratory in Belgium that will provide services in case of emergency. The emergency procedures are tested periodically.

Development of risks in 2013

Compliance Enhancement Programme

In 2013, Sanquin received a warning letter from the US FDA regulatory authority. The FDA found that Sanquin did not comply with a few of the quality requirements for processes and systems applicable to organisations that supply medicines in the USA. The warning letter had no direct consequences for the options to supply products to the US market. If the FDA notes insufficient progress in implementing quality improvements during a subsequent audit, however, the US marketing authorisation may be endangered. In response to the warning letter, Sanquin launched an extensive Compliance Enhancement Programme focused on making structural improvements to the organisation, culture, processes, systems and work performance within the Plasma Products division.

Expansion of manufacturing facilities

In 2012, a contract manufacturing agreement was signed with Baxter, making Sanquin responsible for a significant volume of plasma and semi-finished product processing for Baxter. During the reporting year, a great deal of time and effort was put into designing and building the process installations required and making necessary changes to the organisation and work procedures. As a result of additional wishes on the part of Baxter, the complexity of the extension of the facilities and the launch of the Compliance Enhancement Programme, the initiation of activities for Baxter was delayed. This may affect manufacturing planning for 2014, and thus potentially slow the growth in turnover forecasted for 2014.

Legislation and regulations in Belgium

In 2014, Belgium began debating new legislation and regulations that, among other things, could affect the supply of plasma medicines to health care institutions. A potential result of the new legislation is that a tender will be issued every three years for supply to hospitals and manufacture of the corresponding plasma. If CAF-DCF loses this tender, deliveries within Belgium may be limited severely. This may have a major impact on the profitability of CAF-DCF. The law is not expected to come into force before 2016 and talks are currently underway between CAF-DCF and the health care institutions (INAMI-RIZIV) to discuss the consequences.

Taxes

In late 2012, the contract with the Dutch Tax and Customs Administration regarding corporate tax to be paid on Sanquin profits ended. From 2013, Sanquin is fully subject to the corporate tax code. Sanquin maintains that the results of the blood bank activities are exempt from corporate tax. This is because the blood bank activities are performed on a non-profit basis in accordance with the Blood Supply Act, with no competition with other suppliers (Sanquin has a legal monopoly in this domain). As a result, in determining the amount of corporate tax to be paid in 2013, Sanquin only considers the results of private activities. The Tax and Customs Administration stated it could not agree with this position. Talks are still underway regarding these differing insights.

Risk management

The risk management model employed at Sanquin is the Committee of Sponsoring Organizations (COSO) framework for internal risk management. The elements included in this framework are strongly present within Sanquin. All divisions have policy rules and procedures to manage identified risks. The most important of these are:

- The structure of the organisation, as outlined in articles of association, documents on the structure of the organisation, decision-making procedures for the Executive Board and division directors, procedures for internal delegation of responsibilities and authorisations for external representation of the organisation.
- The accounting manual, describing the financial reporting structure and procedures to be followed for preparation.
- The treasury policy, encompassing key policy rules for cash and currency management.
- The quality policy, which describes the system for quality care.
- Project control procedures, defining authorisations and reports on projects to be completed.
- Standard Operating Procedures for various processes at an implementation level.
- Codes of conduct and whistle-blower policy.
- Procedures to prevent fraud in scientific research.
- Risk assessment and evaluation within the context of the policy on health, safety and the environment.
- Insurance for product liability and other business risks.
- Procedures and facilities for securing the ICT infrastructure, and backup facilities in the event of technical problems.

Communication

The organisational structure and policy are oriented towards clear information and communication. To this end, progress meetings form an important foundation. Additionally, there are internal memoranda, a staff magazine, a magazine for hospitals, a magazine for donors, an intranet and a website. Management information pertaining to financial issues, human resources and quality issues is periodically disseminated internally. Educational and training programmes also contribute to communication. There are structured internal and external training programmes for various divisions. There is also a structure in place for communicating with representatives of donors and users of Sanquin products and services. In addition, there are advisory councils with external experts that advise the Executive Board on ethics, research & development, medical affairs and donor affairs.

Meetings

Risk management measures are monitored by monthly discussions of financial management information by the Executive Board and the directors. Financial reporting is also discussed with the Supervisory Board. Additionally, the Executive Board discusses the general state of affairs within each division during a company visit twice per year. Finances, human resources, quality issues and construction are standard items on the agenda.

Internal procedures for reporting claims and procedures for third-parties are recorded in writing. The Executive Board reports claims during the meetings with the Supervisory Board. A discussion of the most important strategic risks is part of the annual deliberations on Sanquin's plans for the medium term.

Quality policy

Sanquin's quality policy is recorded in writing and uses GMP and ISO quality systems. Various business units are frequently inspected by the Health Care Inspectorate of the Ministry of Health, Welfare and Sport, also in the context of ISO certification. Additionally, inspection authorities from other countries that the Plasma Products division delivers to, such as the United States of America, Brazil and Turkey, also perform audits. Periodic internal auditing is one of the Quality Care corporate department's tasks, and is part of the continuous monitoring within the context of risk management, in addition to an audit programme focused on qualifying critical Sanquin suppliers. External risk inventory and evaluations take place periodically, and also occasionally in the context of product liability insurance reasons.

In addition to the elements listed above, integrity, corporate ethics, employee expertise, management style and method for delegating responsibilities and authorisations create the framework for risk management. The Executive Board has outlined a number of core values in the Sanquin code of conduct. These are international entrepreneurship, innovation, a focus on results and cooperation.

Based on the activities described, the Executive Board states that, to the best of its knowledge, the internal risk management process during the reporting year 2013 generally functioned properly. There were no major incidents or disruptions of operations in 2013. The actual efficacy can only be evaluated by reviewing the results over the course of a longer period. Further extension and completion of management processes will take place in the coming years, because the external world continues to change and Sanquin has to change with the times.

The policy outlined by the Executive Board remains oriented towards continuous review and improvement of the risk management system.

Financial results

In 2013 Sanquin achieved a slightly higher revenue of € 431.0 million (2012: € 429.0 million). The Blood Bank division experienced significant drops in turnover; however, this drop was compensated by higher turnover in the Plasma Products and Reagents divisions. Operating profits in 2013 dropped by 9% to € 25.1 million (2012:€ 27.6 million). Particularly as a result of much higher tax payments, net profits in 2013 dropped to € 16.9 million (2012: € 25.3 million).
In summary the profit and loss account is as follows:

	2013	2012	Change	
(€ in millions)	€	€	€	%
Revenue	431.0	429.0	2.0	0.5
Costs of raw materials and consumables	110.2	122.5	-/-12.3	-/-10.0
Staff costs	164.2	152.2	12.0	7.9
Gross margins	156.5	154.3	2.2	1.4
Other operating costs	106.2	101.6	4.6	4.5
EBITDA	50.4	52.7	-/-2.3	-/-4.4
Depreciation	25.2	25.0	0.2	0.8
Operating result	25.1	27.6	-/-2.5	-/-9.1
Financial revenue and expenses	-/-0.7	-/-1.0	0.3	30.0
Taxes	-/-7.1	-/-0.6	-/-6.5	-/-1,026.0
Third-party share	-/-0.5	-/-0.6	0.1	16.7
Net profit	16.9	25.3	-/-8.4	-/-33.2

Key financial developments in 2013

Overall, total revenue (€ 431.0 million) remained at almost the same level as 2012 (€ 429.0 million). In addition to other income and stock changes included in the revenue, underlying turnover increased by 2% in 2013, to € 393.4 million (2012: € 385.1 million). This turnover development can be specified as follows:

Turnover specification

(€ in millions)	€	%
Per division		
Plasma products	205.9	+7
Blood Bank	143.9	-/-7
Diagnostic Services	20.5	-/-1
Reagents	12.3	+33
Research	7.4	+14
Other activities	3.4	+96
Total	**393.4**	

(€ in millions)	€	%
Geographic		
The Netherlands	229.1	-/-9
International	164.3	+23
Total	**393.4**	

The growth in turnover in Plasma Products is due entirely to contract manufacturing activities. The drop in Blood Bank turnover is due to a decrease in the sale of short shelf-life blood products to hospitals. Turnover in Diagnostic Services has remained essentially unchanged. Reagents turnover has increased sharply thanks to expansion of the product portfolio and entrance to new geographic markets. Revenues from Research have increased thanks to a greater number of external grants.

Gross margins (revenue minus cost of materials and staff) as a percentage of turnover amounts to 36.3% (2012: 36.0%). The increase in staff costs (by 8% to € 164.2 million) is entirely compensated by a decrease in material costs (by 10% to € 110.2 million). Staff costs increased as a result of expanding activities in the Plasma Products division. Particularly the efforts to comply with quality requirements by regulatory authorities resulted in significant increases in human resource utilisation. The drop in material costs is the result of shrinkage in the Blood Bank division and much lower rejection costs within Plasma Products.

The other costs increased by 5% to € 106.2 million. This increase can be ascribed almost entirely to the system reform aimed at including a surcharge for research in the cost of short shelf-life blood products (see also section 2.2 of the annual account). This resulted in a drop in EBITDA margin from 12.3% in 2012 to 11.7% in 2013.

Write-offs in 2013 amounted to € 25.2 million in 2013, essentially unchanged compared with 2012.

Total operational costs increased by 1% in 2013, to € 405.9 million (2012: € 401.4 million). This increase slightly exceeds the increase in earnings (0%). Thus, operating results dropped to € 25.1 million (2012: € 27.6 million).

Financial costs and benefits amount to € 0.6 million (2012: € 1.0 million). Financial burdens include the result of participations, a negative line item of € 0.3 million (2012: € -1.0 million). This result was caused by downgrading in the value of the equity interest in Xenikos BV. It is assumed that this participation, with Sanquin performing product and process development, will continue to make a loss because of the research and development costs for a new experimental medicine.

The tax burden increased to 29% (2012: 2%), primarily due to the end of a long-term agreement with the Dutch Tax Administration. As a result, as of 2013, Sanquin Blood Supply Foundation activities are subject to the normal corporate tax regimen.

This means the net profit over the 2013 fiscal year was € 16.9 million (2012: € 25.4 million).

In summary, Sanquin's balance sheet is as follows:

	2013	2012
(€ in millions)	€	€
Fixed assets	195.3	173.6
Stock	159.5	132.6
Receivables	82.7	82.5
Liquid assets	73.9	77.4
Total assets	511.4	466.0
Provisions	15.0	17.7
Long-term debts	31.3	35.3
Short-term debts	129.6	94.7
Group equity	335.5	318.4

The total balance was € 511.4 million (2012: € 466.0 million). Total working capital amounts to € 112.6 million (2012: € 120.4 million). As a percentage of earnings, working capital was 26% (2012: 28%).

Within working capital, stocks increased as a result of expansion of activities at Plasma Products and in anticipation of a long-term shut-down period of the manufacturing facilities for scheduled maintenance in Amsterdam in early 2014. Stock value at the end of 2013 was € 159.5 million (2012: € 132.6 million).

The sum of receivables balance at the end of 2013 was € 82.7 million (2012: € 82.5 million). Due to earlier debt collection, the increase in turnover did not result in an increase in outstanding debts.

The total short-term debt at the end of 2013 was € 129.6 million (2012: € 94.7 million). This increase is primarily due to reclassification of a € 20.0 million loan that needs to be transferred to short-term debt in October 2014.

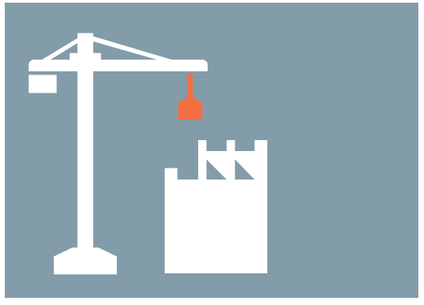
The capital employed increased to € 381.8 million (2012: € 371.3 million). Profits on capital employed at the end of the fiscal year were 6.6% (2012: 7.4%), based on operating results.

Equity at the end of the fiscal year was € 316.0 million (2012: € 299.1 million). In addition to the profits realised in 2013, the equity situation is affected by the effects of changes to the system.

Solvency at the end of the fiscal year was 66% (2012: 68%). Net liquidity (balance of cash positions and long-term loans) at the end of the fiscal year was € 42.7 million (2012: € 42.1 million).

Net cash flow from operational activities was € 47.9 million (2012: € 41.2 million). Operational cash flow for working capital was 5% lower at € 22.6 million (2012: € 23.9 million). Cash flow including changes for working capital was € 7.9 million (2012: negative € 10.6 million) due to both stock increases and significant increases in credit. Free cash flow was € 0.6 million (2012: negative € 2.0 million). Thus, available cash flow from operational activities was almost entirely utilised for investments.

Outlook for 2014



As a result of the continued expansion of contract manufacturing activities within Plasma Products, further growth of turnover is expected in 2014. If the drop in turnover in short shelf-life blood products continues, turnover growth may be lower than expected.

In 2014, significantly higher costs are expected due to the activities required to enable the growth in contract manufacturing for Baxter and the costs of implementing the Compliance Enhancement Programme in the Plasma Products division. Therefore, the net result is expected to be significantly lower than in 2013.

The number of employees will increase slightly in 2014. On the one hand, strong growth is expected in Plasma Products as a result of the extension of activities and growth of the quality departments. On the other hand, reorganisations at the Blood Bank and corporate services will result in downsizing.

To enable expansion of contract manufacturing activities, higher than usual investments are planned for 2014. New construction will begin at the Amsterdam site to accommodate expansion of the Plasma Products division. Additionally, significant investments will be made into technical systems and process equipment for the Plasma Products division.

EXECUTIVE BOARD REPORT

From left to right H. de Wit, O. Dijkstra, A. van Os, R. van Lier

Membership

In 2013, the members of the Executive Board were:
A. van Os (chairman)
H.J.C. de Wit, DPharm (vice-chairman)
Prof. R.A.W. van Lier MD PhD (member)

O. Dijkstra, LLM (general secretary)

Meetings

The Executive Board met 50 times in 2013. At the request of the Board, members of the management team and core staff may be invited to the meetings. All decisions are recorded in lists of resolutions and minutes. The Executive Board adheres to the Sanquin Corporate Governance Code and the Governance Regulations, which outline rules and conduct for good management, effective oversight and transparent accountability.

Current events

During the reporting year, the Executive Board paid a great deal of attention to the following topics of key strategic importance for the organisation's future.

Sanquin legal structure

In 2012, the Minister of Health Welfare and Sport indicated to the chairperson in parliament that she wanted Sanquin to 'implement measures to ensure the blood bank's equity is not risk-bearing for the company's private activities, and vice versa'. In mid-2013, Sanquin proposed structural changes to address both the Minister's request and its own wishes regarding Sanquin's further development. Sanquin and the Ministry of Health, Welfare and Sport met regularly to discuss the structure. The minister has indicated that she wishes to retain the hybrid structure, with public and free market activities combined under one roof.

Strategy

A broad representation of employees from within the organisation reformulated Sanquin's mission and vision over the course of several meetings in 2013. The strategy for the coming years, which is the foundation for all decisions at Sanquin, was also re-evaluated. Sanquin has a strategy for both the organisation as a whole (corporate strategy) and for the individual divisions.

Compliance

In late 2013, Sanquin received a warning letter from the US Food and Drug Administration (FDA). In this letter the FDA pointed out bottlenecks in the medicine manufacturing process for the US market. A three-year Compliance Enhancement Programme was launched immediately to improve compliance with US regulations.

The Health Care Inspectorate (IGZ) performed a follow-up inspection at Sanquin in 2013 relating to pharmacovigilance. In response, Sanquin initiated a project to align the organisation with the changes in pharmacovigilance legislation implemented in 2012.

Contract Manufacturing

In 2013, British biopharmaceutical company Shire announced its intention to acquire ViroPharma. Sanquin has been producing the plasma medicine Cinryze from American plasma in cooperation with ViroPharma since 2008 as a contract manufacturer.

After 22 years of service with Sanquin and its legal predecessors, H.M.H. de Bruijn-van Beek, executive secretary of the Executive Board, took her leave in early 2013 due to retirement. The Executive Board looks back on a pleasant cooperation, and thanks her for her years of service.

This partnership provides very effective medicinal products that have been available for a long time in the Netherlands to patients with hereditary angio-oedema all over the world. We look forward to continuing our cooperation with Shire.

In 2012, Sanquin signed a contract with the US pharmaceutical company Baxter and in 2013 increased production capacity in order to process Baxter's plasma. A related validation programme was also initiated. The preparation of albumin and immunoglobulins that will be used, among other things, to treat burns and diseases where defence against infections or the body's own cells is disrupted will commence in 2014.

Reorganisation in the Blood Bank division

The Minister of Public Health, Welfare and Sport (VWS) imposed cost-cutting measures on all health care actors. In line with these cost-cutting measures, the minister also demanded the Blood Bank increase efficiency by 6%.

Demand for blood products has been dropping over the past few years. This trend continued in 2013. The persistent drop is due to improvements in stock management and logistics, implementation of the CBO guideline Blood Transfusion, increased cost awareness among our customers, improved surgical techniques and fewer medical interventions, among other things. Sanquin appreciates the frugal use of blood in the Netherlands. However, this does mean the Blood Bank is facing the challenge of increasing efficiency and reducing costs, among other things by downsizing staff.

Development of medicine with Xenikos

Sanquin has been participating in Xenikos BV, a biotechnological company involved in the development of an experimental medicinal product, T-Guard™, since 2012. This medicine is being manufactured at Sanquin and is designed to treat life-threatening rejection after bone marrow transplant (Graft-versus-host disease). In 2013, Xenikos BV received special orphan drug status for T-Guard™ from the US Food and Drug Administration (FDA). 2013 also saw the launch of a clinical phase 1b/2a study.

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

Amsterdam, May 2014
Executive Board

Overview of additional positions of Executive Board members

The overview below includes the most important other positions held by members of the Executive Board of Sanquin. These other positions have been approved by the Supervisory Board.

A. van Os (1955)
Chief position:
Chairman of the Executive Board, Sanquin Blood Supply.

Other functions:
- member of the Board, CAF, Brussels (as of 11 June 2013);
- commissioner for Sanquin Oy, Helsinki (until 11 November 2013);
- director of LSBR (as of 1 July 2013).

H.J.C. de Wit (1953), DPharm
Chief position:
Vice-chairman of the Executive Board, Sanquin Blood Supply.

Other positions:
- chairman of the Executive Board, European Blood Alliance;
- board member, Committee of Experts on Blood Transfusion of the EDQM (European Directorate on the Quality of Medicines) of the Council of Europe;
- board member, IDTM foundation;
- board member, Tekke Huizinga Fund Foundation;
- member of the Executive Board, American Blood Centers;
- member of a communication platform for medical advisors at Fresenius;
- EMEA customer panel member at Caridian BCT;
- member of the Advisory Board, TRIP.

Professor R.A.W. van Lier MD PhD (1956)
Chief position:
Member of the Executive Board, Sanquin Blood Supply.

Other positions:
- professor of experimental immunology, AMC-UvA;
- board member, Immunovalley Foundation;
- chairman, Netherlands Immunology Society;
- vice-president, EFIS (European Federation of Immunological Societies);
- council member, 'International Union of Immunological Societies';
- secretary, scientific advisory council MS Research;
- member of the scientific advisory council, Netherlands Lung Foundation;
- member of the scientific advisory council, Landsteiner Foundation for Blood Transfusion Research;
- member of scientific and medical advisory council, Immunobank NV.

SUPERVISORY BOARD REPORT

Membership

In 2013, the members of the Supervisory Board were:
J.H. Schraven, LLM (Chairman until 1 July 2013)
Professor F.C. Breedveld MD PhD (Chairman as of 1 July 2013)
K. Bergstein, MSc, MBA
Professor B. Löwenberg MD PhD (until 1 June 2013)
M.J.W. Bontje (as of 1 June 2013)
Professor C.G. Figdor PhD (as of 1 June 2013)
A.K. Lahr, MSc (as of 1 July 2013)

O. Dijkstra, LLM (general secretary)

When Mr Van Rijn stepped down in accordance with regulations in 2012, this created a vacancy that was not filled until June 2013. Mr Löwenberg stepped down in June, as per regulations. Following a series of interviews, the Council decided to appoint Mr Bontje, Mr Figdor and Mr Lahr as members of the Supervisory Board. Half-way through the reporting year, Mr Schraven withdrew as member and Chairman of the Supervisory Board, due to new government policy limiting the number of offices that may be held by active board members. The Board decided to appoint Mr Breedveld as chairman.

The Board is extremely grateful to Mr Schraven and Mr Löwenberg for the careful, expert manner in which they performed their tasks. The Supervisory Board membership is such that the statutory requirements of experience and expertise are amply fulfilled.

Audit Committee

The Board supervises the Executive Board's policies and the general course of affairs at Sanquin. Furthermore, the Board advises on strategy and Sanquin activities, and is responsible for approving key proposals from the Executive Board. The Sanquin Corporate Governance Code, adopted by the Board, contains rules and codes of conduct for good governance, effective supervision and clear accountability. In 2013, the Board decided to appoint an audit committee per 2014, consisting of the members Bergstein and Lahr, to monitor financial information provision, internal risk assessment and control systems, and follow-up on recommendations made by the external accountant.

Meetings

The Supervisory Board held five meetings in 2013. Members of the Board also maintain individual contact with Sanquin management and staff. On 23 May and 30 October, the Chairman of the Board met with the Sanquin Works Council to discuss the general course of affairs within the organisation.

Financial reports, the 2012 annual report and annual accounts, and the accountant's report were discussed and approved in the presence of the external accountant. The Supervisory Board approved the policy plan, 2014 budget and Mid-term Plan. As is customary, the Supervisory Board also discussed the risk inventory drafted by the Executive Board and the corresponding management measures.

Current events

The Supervisory Board paid extensive attention to the following subjects during the reporting year:

New construction

The plans and investments for, among other things, the Plasma Products division were discussed. The Board agreed to issue a loan to the Medisch Centrum Slotervaart Foundation for the construction and operation of a parking garage.

Structural changes

The Board agreed to further elaboration of a new legal structure for Sanquin. This addresses the request made by the Minister of Health, Welfare and Sport not to allow the Blood Bank's equity to bear the risk of its private sector activities, and vice versa.

Strategy

The Board met with the Executive Board and division directors to discuss the reformulated mission and vision as well as the drafted corporate and division strategies.

Potential acquisition of a plasma medicines organisation

Following ample deliberation, the acquisition proposed by the Executive Board was deemed not opportune.

Orphan drug status for Xenikos

In 2013, Xenikos BV received special orphan drug status for T-Guard™ from the US Food and Drug Administration (FDA). This medicine is manufactured at Sanquin. This orphan drug status provides significant advantages for further development of this medicine in the USA.

Cord blood bank

The Board took note of the Minister of Health, Welfare and Sport's position on the Cord Blood Bank. The minister is of the opinion that the bank at Sanquin should be maintained, as it provides transplants for certain severely ill patients. Additionally, the Cord Blood Bank supplies cord blood stem cells for clinical medical research.

FDA warning letter

The Board requested information about the warning letter Sanquin received from the US Food and Drug Administration (FDA) and the proposed corrective actions and investments.

Acquisition of ViroPharma

In 2013, British biopharmaceutical company Shire announced its intention to acquire ViroPharma. Sanquin has been manufacturing Cinryze for ViroPharma since 2008, and will continue to do so following its acquisition by Shire.

Reorganisation in the Blood Bank division

The Board took note of the measures taken by Sanquin to guarantee the quality of the blood supply.

Evaluation

The Supervisory Board evaluated its own functioning in writing, and noted that its members are sufficiently independent. The decision-making structure within the Supervisory Council is designed to avoid conflicts of interest.

The Board also performed an interim evaluation of the Executive Board. As of 1 June 2014 Aart van Os will step down as chairman of the Executive Board. The departure of Mr. Van Os takes place in consultation with Sanquin's Supervisory Board. The Supervisory Board has decided to take this step because the necessary chemistry between the members of the Executive Board was lacking. The Supervisory Board will begin a search for a new chairman, while the Executive Board will temporarily be strengthened with an interim director who will act as chairman.

Quality, safety and availability of blood products in 2013 were once again made possible thanks to the strong involvement and efforts of donors. The Supervisory Council is deeply thankful to them and to all Sanquin employees for their efforts in 2013 and the way they realised Sanquin's goals together.

Amsterdam, May 2014
Supervisory Board

Overview of additional positions of Supervisory Board members

The overview below includes the most important other positions held by members of the Supervisory Board.

J.H. Schraven, LLM (1942)

Chairman of the Supervisory Board as of May 2006, appointed in May 2006, stepped down July 2013.

Main position:
Chairman of the Board of Supervisory Directors, Tata Steel Nederland B.V. and non-executive director, Tata Steel Limited (India).

Other positions:
- board member, Carnegie Foundation;
- chairman of the Board, SEO Economic Research;
- chairman, KPN Preferred Stock Foundation;
- chairman, Unilever N.V. Administration Office;
- chairman of the Supervisory Board, Stork B.V. and Fokker Technologies B.V.;
- member of the Supervisory Board, BNP Paribas OBAM N.V.

Professor F.C. Breedveld MD PhD (1950)

Chairman of the Supervisory Board as of July 2013, appointed in September 2010, stepping down in September 2014, eligible for reappointment.

Main position:
Chairman of the Executive Board, Leiden University Medical Center.

Other positions:
- chairman, Curium Foundation;
- chairman, Thrombosis Service Leiden and surroundings Foundation;
- chairman, Medipark B.V. Stockholders Foundation;
- member of the board, Leiden Bio Science Park Foundation;
- member of the governing board, Leiden University Fund;
- member of the board, Bontius Foundation;
- chairman of the Supervisory Board, Ipse de Bruggen Foundation;
- member of the Supervisory Board, VeerStichting.

Professor B. Löwenberg MD PhD (1946)

Appointed May 2005, stepped down June 2013.

Main position:
Professor of Hematology, Erasmus MC, Rotterdam.

Other positions:
- member, Health Council of the Netherlands;
- member of the International Scientific Advisory Board, Lund Strategic Center for Stem Cell Biology and Cell Therapy, Lund University, Sweden;
- member of International Scientific Advisory Board, Department of Biomedicine, University of Basel;
- vice-chairman of the Board and Chairman of the International Science Committee, European School of Hematology, Paris;
- member of Supervisory Board, Comprehensive Cancer Centre, the Netherlands;
- editor-in-chief, Blood, scientific journal of the American Society of Hematology.

K.T.V. Bergstein,MSc MBA (1967)

Appointed 1 September 2012, stepping down 1 September 2016, eligible for reappointment.

Main position:
Member of the Executive Board, ASR Nederland N.V.

Other positions:
- member of the Supervisory Board, Utrecht University;
- member of the Supervisory Board, Arboned.

M.J.W. Bontje (1954)

Appointed 1 June 2013, stepping down 1 June 2017, eligible for reappointment.

Main position:
Own business, Bontje Advies en Management.

Other positions:
- chairman, GP Posts Foundation, the Netherlands (until 1-1-2014);
- chairman, InEen (as of 1-1-2014);
- chairman of the Supervisory Board, Breburg;
- vice-chairman of the Supervisory Board, Rivas;
- chairman of the Supervisory Board, Novae;
- board member, Malnutrition Steering Committee Foundation;
- chairman, St. Pand Hospice Nieuwegein;
- member of the Supervisory Board, Mohs clinics (until 1-1-2014);
- member of the Supervisory Board, Vrouw&klinieken.

Professor C.G. Figdor PhD (1953)

Appointed 1 June 2013, stepping down 1 June 2017, eligible for reappointment.

Main position:

Professor of Immunology, Radboud University Medical Center Nijmegen.

Other positions:

Member, Health Council of the Netherlands.

A.K. Lahr, MSc (1968)

Appointed 1 July 2013, stepping down 1 July 2017, eligible for reappointment.

Main position:

CEO, Fasttrack company.

Other positions:

Venture Partner, Social Impact Ventures NL.

ANNUAL ACCOUNTS 2013

Consolidated Annual Accounts 2013

Consolidated balance sheet as at 31 December 2013 (prior to profit appropriation)

		31 December 2013		31 December 2012	
(€ 000's)	Ref.	€	€	€	€
Assets					
Fixed assets					
Tangible fixed assets	5	195,332		173,327	
Financial fixed assets	6	0		265	
			195,332		173,592
Current assets					
Stocks	7	159,464		132,593	
Receivables	8	82,697		82,481	
Liquid assets	9	73,942		77,362	
			316,103		292,436
			511,435		466,028
Liabilities					
Group capital					
Equity	10	316,009		299,079	
Share of third parties	11	19,483		19,281	
			335,492		318,360
Provisions	12		15,025		17,666
Long-term debt	13		31,273		35,306
Short-term debt	14		129,645		94,696
			511,435		466,028

Consolidated profit and loss account for 2013

(€ 000's)	Ref.	2013 €	2013 €	2012 €	2012 €
Net turnover	16	393,375		385,077	
Change in stocks of finished products and work in progress		27,306		29,754	
Other operating income		10,346		14,152	
Total operating income			**431,027**		**428,983**
Costs of raw materials and consumables		110,249		122,536	
Wages and salaries	17	136,115		125,234	
Social security charges incl. pension	17	28,116		26,951	
Depreciation of tangible fixed assets	21	25,244		25,045	
Other operating expenses	22	106,184		101,597	
Total operating expenses			**405,908**		**401,363**
Operating Result			**25,119**		**27,620**
Revenue from financial fixed assets	24		-264		-1,035
Interest income	24		955		1,584
Interest expenses	24		-1,337		-1,544
Result from ordinary business operations before taxes			**24,473**		**26,625**
Tax on result from ordinary business operations	26		-7,071		-628
Share of third parties			-472		-617
Result after taxes			**16,930**		**25,380**

Consolidated cash flow statement for 2013

(€ 000's)	Ref.	2013 €	2013 €	2012 €	2012 €
Cash flow from operating activities					
Operating result			25,119		27,620
Adjustments for:					
Depreciation of tangible fixed assets	21	25,244		25,045	
Change in provisions	12	-2,641		-1,148	
			22,603		**23,897**
Change in operating capital:					
Increase of Stocks	7	-26,871		-13,108	
Increase of Receivables	8	-216		-15,956	
Increase of Short-term debt	14	34,949		18,494	
			7,862		**-10,570**
Cash flow from business operations			**55,584**		**40,947**
Other movements in consolidation		-268		890	
Interest received	24	955		1,584	
Corporation tax	26	-7,071		-628	
Interest paid	24	-1,337		-1,544	
			-7,721		302
Cash flow from operating activities			**47,863**		**41,249**
Cash flow from investing activities					
Investments in tangible fixed assets	5	-47,248		-41,136	
Cash flow from investing activities			**-47,248**		**-43,245**
			615		**-1,996**
Cash flow from financing activities					
Receipts from long-term debt		16,700		10,500	
Repayments of long-term debt	13	-20,733		-7,186	
Cash flow from financing activities			**-4,033**		**3,314**
Net cash flow			**-3,420**		**1,318**
Increase/(decrease) of cash	9		-3,420		1,318

The development of cash is as follows:

(€ 000's)	2013 €	2013 €	2012 €	2012 €
Balance as at 1 January		**77,362**		**76,044**
Change during the financial year		-3,420		1,318
Balance as at 31 December		**73,942**		**77,362**

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 diagnostic services 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 2013 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 was prepared according to 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 have been changed in a single area with respect to the previous financial year. This concerns the recognition of the temporarily non-expended portion of the contribution for research included in the price of short shelf-life blood products. The recognition of these temporarily non-expended funds has been changed to avoid the temporary underspending resulting in taxable profit and consequently the taxation of funds that are designated for research.

Up to and including 2012, the difference between the contribution for research included in the price of short shelf-life blood products and the actual research costs of the research programme related to cellular products was reported as result. The following year this portion of the Foundation's result was added to the designated reserve for research to ensure that the acquired research funds would remain available for research purposes.

Starting in 2013, the difference between the contribution for research included in the price of short shelf-life blood products and the actual research costs of the research programme related to cellular products is reported under short-term debt as a research contribution received in advance.

In 2013, the difference between the contribution for research included in the price of short shelf-life blood products and the actual research costs of the research programme related to cellular products amounted to € 1.7 million. In 2013, the change in accounting policy therefore reduced the result by € 1.7 million compared to leaving the accounting policy unchanged.
In addition, effective from 1 January 2013, the portion of the designated reserve for research accumulated as a result of the contributions for research included in the price of short shelf-life blood products is reported under short-term debt as a research contribution received in advance. This involves an amount of € 7.1 million. The new accounting policy's total impact on equity therefore is € 8.8 million.

To be able to compare the 2013 figures with the 2012 figures, the 2012 annual accounts figures included in the present annual accounts for comparison purposes have also been changed, as if the new accounting policy had already been in effect in 2012. In2012, the difference between the contribution for research included in the price of short shelf-life blood products and the actual research costs of the research programme related to cellular products amounted to -/- € 2.1 million. In 2012, the change in accounting policy therefore would have increased the result by € 2.1 million compared to leaving the accounting policy unchanged. As at 31 December 2012, the portion of the designated reserve for research accumulated as a result of the contributions for research included in the price of short shelf-life blood products amounted to € 9.2 million. The new accounting policy's total impact on equity as at 31 December 2012 therefore is € 7.1 million.

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 to 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 and continued payment in the event of long-term illness.

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 fair value at the time of 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 a 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

Regularly 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 31 December 2013, the pension fund's funding ratio was 109% (source: website www.pfzw.nl dated 1 March 2014). The pension fund must have a funding ratio of at least 105% to avoid affiliated institutions having to make extra contributions or having to implement special increases in the contributions. 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. Book gains and losses from the incidental sale of tangible fixed assets are included under depreciation.

3.8 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.

3.9 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 principle applied by Sanquin in this respect is that 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:

(€ 000's)	Land and buildings €	Machines and installations €	Other fixed operating assets €	Fixed operating assets in progress €	Total €
Balance as at 1 January 2013					
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**
Changes					
Investments	5,710	8,277	2,093	31,168	47,248
Changes	11,403	4,933	272	-16,607	1
Divestments	-1,767	-1,246	-163	0	-3,176
Change in depreciation	1,767	1,246	163	0	3,176
Depreciation	-6,340	-16,070	-2,834	0	-25,244
Depreciation of divestments					
Balance	**10,773**	**-2,860**	**-469**	**14,561**	**22,005**
Balance as at 31 December 2013					
Acquisition price or manufacturing cost	137,963	184,321	27,672	40,454	390,410
Accumulated depreciation	-45,891	-126,842	-22,346	1	-195,078
Book values	**92,072**	**57,479**	**5,326**	**40,455**	**195,332**
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 'Land and buildings', '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, with the exception of the production facilities which are financed with the loan provided by Baxter (see Note 13, Long-term debts for additional information).

The current value of the fixed assets does not deviate significantly from the book value.

The 2013 investments in tangible fixed assets that exceeded € 1.0 million were:

(x € million)	investments in tangible fixed assets
Installations related to the expansion of capacity for Baxter	17.9
Fit-up of building Y for Plasma Products, Diagnostics and Research	2.8
Installations for Nonafact preparation	2.1
Cleanrooms and dressing airlock in building P	1.9
Renovation of building U for Research	1.4
New freeze dryer for Plasma Products	1.2
New Mass Spectrometer for Research	1.0

6. Financial fixed assets

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

(€ 000's)	Participating interests €	Total €
Balance as at 1 January 2013	265	265
Investments	0	0
Result of participating interests	-265	-265
Divestments	0	0
Balance as at 31 December 2013	**0**	**0**

Participating interests

Sanquin in 2012 acquired 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%. Due to Xenikos' negative equity, the interest in Xenikos was fully written down as at 31 December 2013.

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. Xenikos achieved its first milestone at the end of 2013. Sanquin made an additional investment of € 0.7 million in Xenikos' share capital on this basis at the beginning of 2014. The remaining conditional investment obligation therefore is € 0.7 million. 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 acquired a participating interest in Vitaleech Bioscience NV in Rotterdam back in 2000. 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

(€ 000's)	31-12-2013 €	31-12-2012 €
Raw materials and consumables and semi-manufactures	110,080	93,704
Finished products and goods for resale	39,364	30,346
Contract manufacturing work in progress	10,020	8,543
	159,464	**132,593**

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 € 23.4 million (2012: € 18.7 million).

The stocks are at the free disposal of the Foundation. An exception to this is the work in progress involving contract manufacturing for third parties. In this situation Sanquin's contract party itself provides the plasma or intermediate products 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

(€ 000's)	31-12-2013 €	31-12-2012 €
Trade receivables	63,744	68,998
Taxes and social security contributions	6,811	5,389
Other receivables, prepayments and accrued income	12,142	8,094
	82,697	**82,481**

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

Trade receivables

(€ 000's)	31-12-2013 €	31-12-2012 €
Trade receivables	64,473	69,783
Debit: provision for bad debt	-729	-785
	63,744	**68,998**

Taxes and social security contributions

(€ 000's)	31-12-2013 €	31-12-2012 €
Turnover tax	6,216	4,895
Social security charges	595	494
	6,811	**5,389**

Other receivables, prepayments and accrued income

(€ 000's)	31-12-2013 €	31-12-2012 €
Security deposits	176	31
Prepaid expenses	2,775	1,862
Amounts to be received	9,191	6,201
	12,142	**8,094**

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:

(€ 000's)	31-12-2013 €	31-12-2012 €
Cash	78	69
Bank balances	14,787	15,370
Deposits	59,077	61,923
	73,942	**77,362**

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:

(€ 000's)	31-12-2013 €	31-12-2012 €
Balance as at 1 January	19,281	18,664
Result for the financial year	202	617
Balance as at 31 December	**19,483**	**19,281**

12. Provisions

(€ 000's)	31-12-2013 €	31-12-2012 €
Employee provisions	8,609	11,966
Deferred tax liabilities	5,503	5,700
Other provisions	913	0
	15,025	**17,666**

Changes in the provisions are as follows:

(€ 000's)	Employee provisions €	Deferred taxes €	Other provisions €	Total €
Balance as at 1 January 2013	11,966	5,700	0	17,666
Allocation		322	913	1,235
Withdrawals	-1,813	-519		-2,332
Release	-1,544			-1,544
Balance as at 31 December 2013	**8,609**	**5,503**	**913**	**15,025**

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 withdrawal of € 1.8 million from the employee provisions is due to the redundancy payments made to departing employees on the basis of the Social Plan in the context of the 2015 Blood Bank reorganisation. The release from the employee provisions is also related to the provision for the 2015 Blood Bank reorganisation and is due to the higher than expected natural attrition of personnel. More people than expected have accepted a job elsewhere within Sanquin as a result of which fewer people than expected are availing themselves of the facilities available under the Social Plan.

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 other provisions have been created for current claims and legal disputes.

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

13. Long-term debt

(€ 000's)	Repayment value as at 31-12-2013 €	Repayment obligation 2014 €	Remaining term > 1 year €	Remaining term > 5 years €
Loans	45,200	20,000	25,200	0
Debts to credit institutions	6,806	733	6,073	0
Balance as at 31 December	**52,006**	**20,733**	**31,273**	**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.

In addition to the reported loans, Sanquin has negotiated a credit facility of a maximum of € 10 million with a credit institution. No use was made of this facility in 2013.

Loans

This concerns a loan from Baxter in the amount of € 25.2 million to finance the process installations for the contract manufacturing activities carried out 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 the contract manufacturing activities carried out for Baxter. The loan is being repaid by granting a discount on the agreed rate for contract manufacturing.

Debts to credit institutions

This involves three loans from credit institutions for investments in the Belgian production facilities. An amount of € 0.7 million was repaid in 2013. The remaining term of the loans is 7 years with interest rates ranging from 2.0% to 3.7%. 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

	31-12-2013	31-12-2012
(€ 000's)	€	€
Repayment obligations	20,733	2,078
Debts to suppliers and trade credit	50,523	44,285
Research amounts received in advance	8,803	7,112
Salaries and holiday allowance	17,515	15,331
Taxes and social security contributions	14,092	6,984
Pension contributions	1,240	1,430
Other liabilities, accruals and deferred income	16,739	17,476
Balance as at 31 December	**129,645**	**94,696**

The short-term debt increased by € 34.9 million in part due to inclusion of the repayment obligation of the loan from the Landsteiner Foundation for Blood Transfusion Research (LSBR) in the amount of € 20.0 million. This loan was reported under long-term debt in 2012. This loan runs to the end of October 2014 and interest of 4.75% is owed on the outstanding amount. No securities have been provided for this loan.

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 totalling € 49.4 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.

Sanquin rents donor centres at many locations. The annual rental obligation related to this is € 1.3 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 € 0.6 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:

	2013	2012
(€ 000's)	€	€
Netherlands	229,102	251,667
Outside the Netherlands	164,273	133,410
	393,375	**385,077**

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

	2013	2012
(€ 000's)	€	€
Blood Banks turnover	143,854	154,679
Plasma Products turnover	205,887	192,265
Diagnostic Services turnover	20,516	20,661
Reagents turnover	12,326	9,250
Research turnover	7,440	6,514
Turnover from other activities	3,352	1,708
	393,375	**385,077**

17. Wages and salaries

	2013	2012
(€ 000's)	€	€
Wages and salaries	136,115	125,234
Social security charges	18,230	17,861
Pension charges	9,886	9,090
	164,231	**152,185**

The costs for wages, salaries, social charges and pension contributions increased by € 12.0 million in 2013. 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.

18. Average number of employees

During the year 2013, the company employed 2,676 people on average, based on full-time employment (2012: 2,498). 232 of these employees were working abroad (2012: 233).

19. Remuneration of the Executive Board

The total remuneration of the Executive Board, including pension contributions, was € 759. Of this € 349 was related to the Blood Bank's activities and € 410 was related to Sanquin's private activities. In 2012, the total remuneration of the Executive Board was € 766. The increase in 2013 is the result of regular salary rises in accordance with Sanquin's Collective Labour Agreement and new regulations regarding disclosure of Executives' remuneration. The breakdown is as follows:

		Remuneration	Pension contributions
2013	(€ 000's)	€	€
A. van Os		215	23
H.J.C. de Wit		259	27
R.A.W. van Lier		213	22
2012			
A. Van Os (from 1-9-2012)		61	7
T.J.F. Buunen (to 1-9-2012)		185	20
H.J.C. de Wit		244	25
R.A.W. van Lier		203	21

In addition, the Foundation incurred staff costs related to a former member of the Executive Board, Mr T.J.F. Buunen, who is still employed by Sanquin. His employment actually ended March 2014 and since leaving the Executive Board he has been availing himself of leave accumulated during his term of employment and the life-course savings scheme. This scheme applies to all Sanquin employees. The breakdown is as follows:

		Remuneration	Pension contributions
2013	(€ 000's)	€	€
T.J.F. Buunen		276	31
2012			
T.J.F. Buunen (from 1-9-2012)		92	10

A statement of the remuneration of the members of the Executive Board pursuant to the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act (WNT) is included in the Appendix Remuneration of Senior Officials to these Annual Accounts.

20. Remuneration of the Supervisory Board

The payment to the Supervisory Board was € 30 (2012: € 34) and can be specified as follows:

	2013	2012
(€ 000's)	€	€
F.C. Breedveld *	11	7
Ms K.T.V. Bergstein (from 1-9-2012)	0	0
M.J.W. Bontje (from 1-6-2013)	4	0
C.G. Figdor (from 1-7-2013)	0	0
A.K. Lahr (from 1-7-2013)	4	0
J.H. Schraven (to 1-7-2013)	7	15
B. Löwenberg (to 1-7-2013) *	4	7
M.J. van Rijn (to 1-9-2012)	0	5

* For some members of the Supervisory Board, Sanquin pays the remuneration directly to the employer.

A statement of the remuneration of the members of the Supervisory Board pursuant to the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act (WNT) is included in the Appendix Remuneration of Senior Officials to these Annual Accounts.

21. Depreciation and other value adjustments of tangible fixed assets

	2013	2012
(€ 000's)	€	€
Tangible fixed assets (Section 5)	25,244	25,045
	25,244	25,045

22. Other operating expenses

	2013	2012
(€ 000's)	€	€
Other personnel expenses	12,326	10,165
Accommodation expenses	18,123	17,758
Donor expenses	2,817	3,295
Transport expenses	4,007	4,136
General expenses	68,911	66,243
	106,184	101,597

	2013	2012
(€ 000's)	€	€
General expenses		
Maintenance costs	11,869	10,691
Costs of publicity	4,431	4,753
Travel, accommodation and representation expenses	3,611	3,463
Office costs	1,384	1,470
Communication costs	3,678	3,572
IT costs	17,006	14,881
Consulting/auditing fees	5,954	5,423
Costs of external services	6,804	8,004
Insurance and Taxes	2,982	2,886
Other expenses	11,192	11,100
	68,911	66,243

23. Auditor's fees

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

	2013	2012
(€ 000's)	€	€
Audit of the annual accounts	320	321
Other audit activities	14	5
Tax advice	0	0
Other non-audit services	0	0
	334	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

	2013	2012
(€ 000's)	€	€
Revenue from financial fixed assets	-264	-1,035
Interest income	955	1,584
Interest expenses	-1,337	-1,544
	-646	-995

25. Costs of research and development

The research and development costs charged to the result for 2013 amounted to € 28.0 million (2012: € 29.7 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 up to and including 2012 were made with the tax authorities on the determination of the taxable amount and the corporation tax owed on this. The regular corporation tax regime applies to Sanquin as of 2013. The tax on the result is therefore calculated on the result before tax in the profit and loss account. The principle applied by Sanquin in this respect is that the liability for tax only applies to the commercial section of the organisation. The Dutch Tax and Customs Administration has not yet approved this principle. Because the scope of the corporation tax levy is as yet uncertain, the actual tax expense over 2013 may deviate from the tax expense reported in the Annual Accounts.

Separate Annual Accounts 2013

Balance sheet as at 31 December 2013 (prior to profit appropriation)

		31 December 2013		31 December 2012	
(€ 000's)	Ref.	€	€	€	€
Assets					
Fixed assets					
Tangible fixed assets		170,079		147,058	
Financial fixed assets	28	19,761		19,777	
			189,840		**166,835**
Current assets					
Stocks		130,308		103,094	
Receivables	29	66,204		64,349	
Liquid assets	30	71,683		76,994	
			268,195		**244,437**
			458,035		**411,272**
Liabilities					
Equity	31				
Foundation capital		1,957		1,957	
Designated reserve	32	7,976		8,669	
Other reserves		289,146		265,182	
Result for the financial year		16,930		23,271	
			316,009		**299,079**
Provisions	33		**8,974**		**11,953**
Long-term debt	34		**25,200**		**28,500**
Short-term debt	35		**107,852**		**71,740**
			458,035		**411,272**

Profit and loss account for 2013

Balance sheet as at 31 December 2013 (prior to profit appropriation)

	31 December 2013		31 December 2012	
(€ 000's)	€	€	€	€
Net turnover	342,412		331,416	
Change in stocks of finished products and work in progress	27,111		29,599	
Other operating income	9,659		9,034	
Total operating income		**379,182**		**370,049**
Costs of raw materials and consumables	97,752		105,121	
Wages and salaries	122,921		112,224	
Social security charges incl. pension	23,292		22,631	
Depreciation of tangible fixed assets	20,051		20,116	
Other operating expenses	91,624		84,375	
Total operating expenses		**355,640**		**344,467**
Operating Result		**23,542**		**25,582**
Revenue from tangible fixed assets		0		0
Revenue from financial fixed assets		0		0
Interest income		941		1,567
Interest expenses		-1,086		-1,270
Result from ordinary business operations before taxes		**23,397**		**25,879**
Tax on result from ordinary business operations		-6,723		-130
Result of participating interests		256		-369
Result after taxes		**16,930**		**25,380**

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:

(€ 000's)	Participating interests in group companies €	Total €
Balance as at 1 January 2013	19,777	19,777
Investments		
Result of participating interests	255	255
Write-down	-271	-271
Balance as at 31 December 2013	**19,761**	**19,761**

List of participating interests

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

Fully consolidated

	Share in issued capital as in %
CAF-DCF cbva, Brussels	50.01
Sanquin Oy, Helsinki	100.00
Euroclone BV, Amsterdam	100.00

Not consolidated

The non-consolidated participating interests qualify as affiliated parties over 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 qualify as participating interests

	Share in issued capital as in %
Vitaleech BV, Rotterdam	11.00
Xenikos BV, Nijmegen	37.44

29. Receivables

(€ 000's)	31-12-2013 €	31-12-2012 €
Debtors	49,847	54,015
Taxes and social security contributions	6,125	4,869
Other receivables, prepayments and accrued income	10,232	5,465
	66,204	**64,349**

30. Liquid assets

(€ 000's)	31-12-2013 €	31-12-2012 €
Cash	78	69
Bank balances	14,128	15,002
Deposits	57,477	61,923
	71,683	**76,994**

31. Equity

(€ 000's)	Foundation capital €	Designated reserve €	General reserve €	Undistributed profit €	Total €
Balance as at 1 January 2013	1,957	15,781	265,182	23,271	306,191
Changes					
Result for the current financial year	0	0	0	16,930	16,930
Profit appropriation	0	1,400	21,871	-23,271	0
Other changes in the reserves	0	-9,205	2,093	0	-7,112
Balance as at 31 December 2013	**1,957**	**7,976**	**289,146**	**16,930**	**316,009**

32. Designated reserves

The designated reserves relate to the Reserve for Research and the Reserve for International Cooperation.

The Reserve for Research was originally created from the positive operating balances of the former Dr Karl Landsteiner Research Foundation, which was absorbed by Sanquin in the merger.

A new designated reserve for International Cooperation was created in 2013. In accordance with the Executive Board's decision concerning the appropriation of the 2012 result, € 1.4 million was added to this designated reserve. This amount comes from a contribution received for a development project that due to its efficient implementation turned out to be cheaper than originally anticipated. By creating a designated reserve for the monies received, these funds will continue to be available for development projects.

33. Provisions

(€ 000's)	31-12-2013 €	31-12-2012 €
Employee provisions	8,974	11,953
Other provisions	0	0
	8,974	**11,953**

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

(€ 000's)	Repayment value as at 31-12-2013 €	Repayment obligation 2014 €	Remaining term > 1 year €	Remaining term > 5 years €
Loans	45,200	20,000	25,200	0
Debts to credit institutions	0	0	0	0
	45,200	**20,000**	**25,200**	**0**

35. Short-term debt

	31-12-2013	31-12-2012
(€ 000's)	€	€
Salaries and holiday allowance	15,083	13,057
Debts to suppliers and trade credit	41,391	35,103
Taxes and social security contributions	13,984	6,902
Pension contributions	1,190	1,375
Research amounts received in advance	8,803	7,112
Repayment obligations	20,000	0
Other liabilities, accruals and deferred income	7,401	8,191
	107,852	71,740

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, 22 May 2014.

Sanquin Blood Supply Foundation

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

Supervisory Board
Prof. F.C. Breedveld MD PhD (Chairman)
Ms K.T.V. Bergstein MSc MBA
M.J.W. Bontje
Prof. C.G. Figdor PhD
A.K. Lahr MSc

Other information

Proposal for profit appropriation

The Executive Board has decided to add the result after tax of € 16.9 million to the general reserve.

In relation to the settlement of a European grant in support of Research, a positive settlement variance in the amount of € 0.4 million was realised. The Executive Board decided to withdraw this difference between research expenditure and funds obtained of € 0.4 million from the general reserve and add it to the designated reserve for research.

Events after the balance sheet date

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

Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act (WNT)

The remuneration of Sanquin's senior officials is reported pursuant to the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act (WNT). Only members of the Executive Board and the Supervisory Board are considered senior officials as defined in the WNT. This section reports the information related to the members and past members of the Executive Board.

Remuneration of the members of the Executive Board

2013	
Name: A. van Os Position: Chairman of the Executive Board	
Term of employment	1 January to 31 December
Working hours	36 hours
Remuneration	207,452
Taxable fixed and variable expense allowance	7,500
Provisions for remuneration payable over time	22,663
Total remuneration as defined in the WNT	237,615

Rationale for exceeding the remuneration standard:
The employment contract with Mr Van Os was negotiated before the WNT came into effect. The contractual agreements formulated at the time are being respected. The statutory transition rule includes a provision for exceeding the remuneration standard and this is therefore permitted under the WNT.

2013	
Name: H.J.C. de Wit Position: Vice-chairman of the Executive Board	
Term of employment	1 January to 31 December
Working hours	36 hours
Remuneration	238,687
Taxable fixed and variable expense allowance	19,920
Provisions for remuneration payable over time	26,610
Total remuneration as defined in the WNT	285,217

Rationale for exceeding the remuneration standard:
The employment contract with Mr De Wit was negotiated before the WNT came into effect. The contractual agreements formulated at the time are being respected. The statutory transition rule includes a provision for exceeding the remuneration standard and this is therefore permitted under the WNT.

2013	
Name: R.A.W. van Lier Position: Member of the Executive Board	
Term of employment	1 January to 31 December
Working hours	36 hours
Remuneration	200,773
Taxable fixed and variable expense allowance	12,500
Provisions for remuneration payable over time	22,011
Total remuneration as defined in the WNT	235,284

Rationale for exceeding the remuneration standard:
The employment contract with Mr Van Lier was negotiated before the WNT came into effect. The contractual agreements formulated at the time are being respected. The statutory transition rule includes a provision for exceeding the remuneration standard and this is therefore permitted under the WNT.

Remuneration of a former member of the Executive Board

	2013
Name: T.J.F. Buunen Position: Former Chairman of the Executive Board	
Term of employment	1 January to 31 December
Working hours	36 hours
Remuneration	276,260
Taxable fixed and variable expense allowance	0
Provisions for remuneration payable over time	30,874
Total remuneration as defined in the WNT	307,134

Rationale for exceeding the remuneration standard:
The employment contract with Mr Buunen was negotiated before the WNT came into effect. The contractual agreements formulated at the time are being respected. Mr Buunen's actual retirement date is March 2014. Since leaving the Executive Board he has been availing himself of leave accumulated during his term of employment and the life-course saving scheme. This scheme applies to all Sanquin employees.

The statutory transition rule includes a provision for exceeding the remuneration standard and this is therefore permitted under the WNT.

Remuneration of the members of the Supervisory Board

	2013
Name: F.C. Breedveld Position: Member/chairman of the Supervisory Board	
Term of employment	1 January to 31 December
Working hours	N/A
Remuneration *	10,891
Taxable fixed and variable expense allowance	
Social security contributions	
Provisions for remuneration payable over time	
Total remuneration as defined in the WNT	10,891
Rationale for exceeding the remuneration standard	N/A

* Mr Breedveld's remuneration is transferred to his employer.

	2013
Name: K.T.V. Bergstein Position: Member of the Supervisory Board	
Term of employment	1 January to 31 December
Working hours	N/A
Remuneration *	0
Taxable fixed and variable expense allowance	
Social security contributions	
Provisions for remuneration payable over time	
Total remuneration as defined in the WNT	0
Rationale for exceeding the remuneration standard	N/A

* In 2013, Ms Bergstein waived her remuneration. In 2012, Ms Bergstein's remuneration was remitted to a charitable organisation.

	2013
Name: M.J.W. Bontje Position: Member of the Supervisory Board	
Term of employment	1 June to 31 December
Working hours	N/A
Remuneration	4,235
Taxable fixed and variable expense allowance	
Social security contributions	
Provisions for remuneration payable over time	
Total remuneration as defined in the WNT	4,235
Rationale for exceeding the remuneration standard	N/A

	2013
Name: C.G. Figdor Position: Member of the Supervisory Board	
Term of employment	1 July to 31 December
Working hours	N/A
Remuneration *	0
Taxable fixed and variable expense allowance	
Social security contributions	
Provisions for remuneration payable over time	
Total remuneration as defined in the WNT	0
Rationale for exceeding the remuneration standard	N/A

* In 2013, Prof Figdor waived his remuneration.

	2013
Name: A.K. Lahr Position: Member of the Supervisory Board	
Term of employment	1 July to 31 December
Working hours	N/A
Remuneration	3,630
Taxable fixed and variable expense allowance	
Social security contributions	
Provisions for remuneration payable over time	
Total remuneration as defined in the WNT	3,630
Rationale for exceeding the remuneration standard	N/A

	2013
Name: J.H. Schraven Position: Chairman of the Supervisory Board	
Term of employment	1 January to 30 June
Working hours	N/A
Remuneration	7,260
Taxable fixed and variable expense allowance	
Social security contributions	
Provisions for remuneration payable over time	
Total remuneration as defined in the WNT	7,260
Rationale for exceeding the remuneration standard	N/A

	2013
Name: B. Löwenberg Position: Member of the Supervisory Board	
Term of employment	1 January to 30 June
Working hours	N/A
Remuneration *	3,630
Taxable fixed and variable expense allowance	
Social security contributions	
Provisions for remuneration payable over time	
Total remuneration as defined in the WNT	3,630
Rationale for exceeding the remuneration standard	N/A

* Mr Löwenberg's remuneration is transferred to his employer.

Remuneration of other employees subject to the WNT

	2013
Position: Member of the Group Staff and Services/Blood Bank management team	
Term of employment	1 January to 31 December
Working hours	36 hours
Remuneration	352,988
Taxable fixed and variable expense allowance	
Social security contributions	
Provisions for remuneration payable over time	11,991
Total remuneration as defined in the WNT	364,979

Rationale for exceeding the remuneration standard: In 2013, this employee received a severance payment pursuant to the provisions of the Social Plan in relation to the termination of long-term employment in the context of the reorganisation of the Blood Bank's activities.

	2013
Position: Member of the Group Staff and Services/Blood Bank management team	
Term of employment	1 January to 31 January
Working hours	36 hours
Remuneration	353,000
Taxable fixed and variable expense allowance	
Social security contributions	
Provisions for remuneration payable over time	1,181
Total remuneration as defined in the WNT	354,181

Rationale for exceeding the remuneration standard: In 2013, this employee received a severance payment pursuant to the provisions of the Social Plan in relation to the termination of long-term employment in the context of the reorganisation of the Blood Bank's activities.

	2013
Position: Member of the Group Staff and Services/Blood Bank management team	
Term of employment	1 January to 30 November
Working hours	36 hours
Remuneration	485,109
Taxable fixed and variable expense allowance	
Social security contributions	
Provisions for remuneration payable over time	8,215
Total remuneration as defined in the WNT	493,324

Rationale for exceeding the remuneration standard: In 2013, this employee received a severance payment pursuant to the provisions of the Social Plan in relation to the termination of long-term employment in the context of the reorganisation of the Blood Bank's activities.

Sanquin Blood Supply Foundation recognises the operational problems related to external non-executive officers identified in the Minister of the Interior and Kingdom Relations's Letter to Parliament dated 27 February 2014. In accordance with section 6 of the (amended) policy regulations regarding the application of the act for regulation of top salaries in the public and semipublic sectors (WNT), the foundation is not accountable with regard to external non-executive officers.

Independent auditor's report

To: the Management Board of Sanquin Blood Supply Foundation

Report on the financial statements

We have audited the accompanying financial statements 2013 of Sanquin Blood Supply Foundation, Amsterdam, which comprise the consolidated and company balance sheet as at 31 December 2013, 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.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the, both in accordance with Part 9 of Book 2 of the Dutch Civil Code and with the policy rules on the application of the Dutch Standards for Remuneration of Senior Officials in the Public and Semi-Public Sector Act (WNT), and for the preparation of the Report of Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Management is also responsible for the preparation of the financial statements in accordance with the WNT-requirements in respect of financial legitimation as included the audit protocol WNT of the policy rules on the application of the WNT. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements and compliance with the WNT-requirements in respect of financial legitimation 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 and the policy rules on the application of the WNT, including the audit protocol WNT. 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 and compliance with the WNT-requirements in respect of financial legitimation 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, used WNT-requirements in respect of financial legitimation and the reasonableness of accounting estimates made by the board of directors, 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 2013, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code and the policy rules on the application of the WNT.

Furthermore, in our opinion, the financial statements 2013 comply in all material aspects with the WNT-requirements of financial legitimation as included in the audit protocol WNT of the policy rules on the application of the WNT.

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 Management Board 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, 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, 24 June 2014
PricewaterhouseCoopers Accountants N.V.

A.J.M. Loogman RA