Sanquin

ANNUAL REPORT 2014

TRANSITION

Blood and Beyond

"Transition. The year 2014 was a transition year for Sanquin. It was not always easy. Despite of this, everyone has again shown tremendous commitment for which I would like to express my great appreciation. I would also like to thank the more than 370,000 donors for their generous and special gift, because it enabled us to provide a safe and high-quality blood supply in the Netherlands day after day. Sanquin is a great organisation with an excellent international reputation thanks to the dedication of all these people."

Maarten le Clercq Chairman of the Executive Board

2014

418.7
net turnover in millions of euro

243
papers in international scientific journals

12
researchers defended their thesis

2,905
employees at 31-12-2014

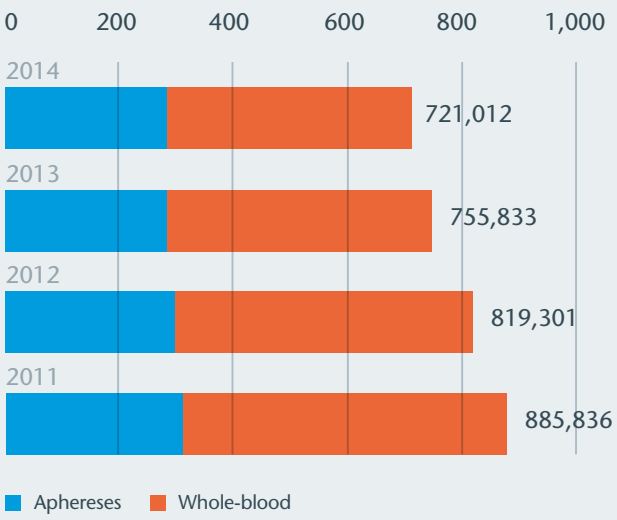
12.6
average term of employment

371,088
donors

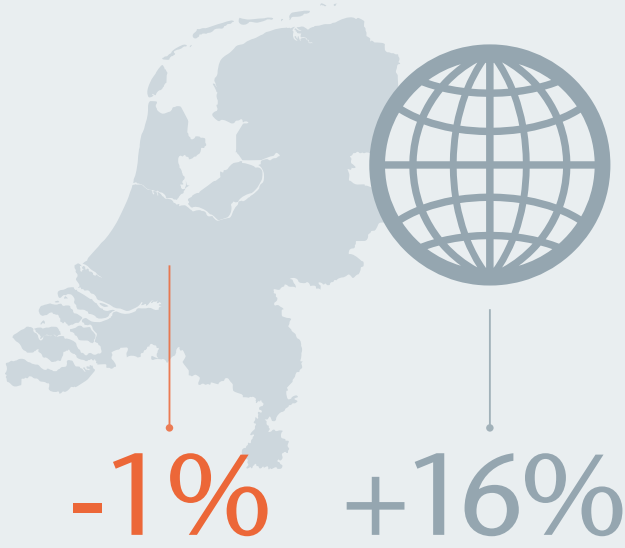
428,245
bags of red blood cells delivered to hospitals (in donor units)

AT A GLANCE

Number of donations

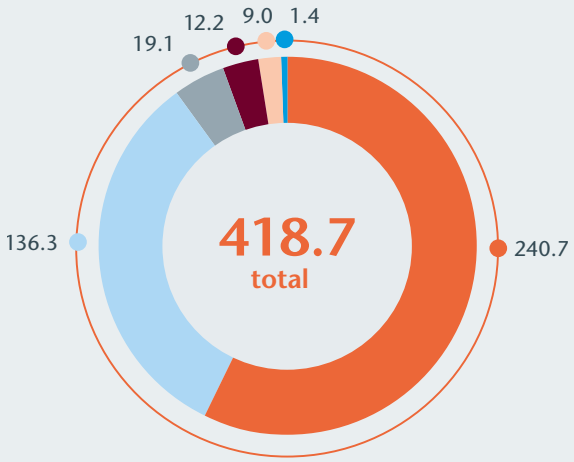


Turnover in the Netherlands and worldwide



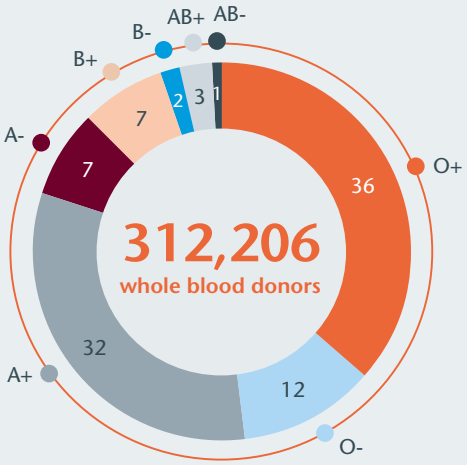
Turnover per division

In millions of euro



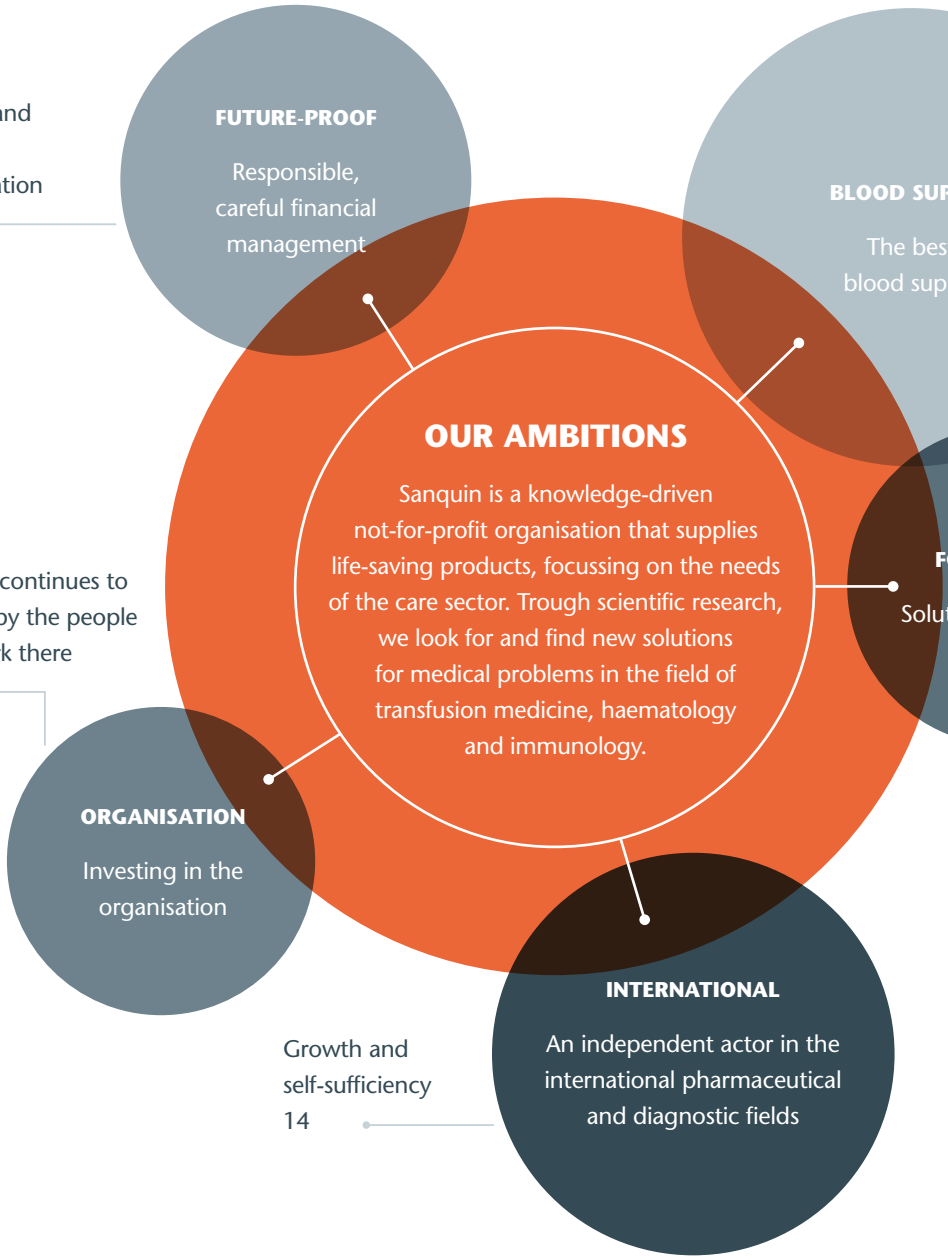
Whole blood donors per blood group

In %



Plasma products
Blood bank
Diagnostics
Reagents
Research
Other

IN THIS REPORT



The blood supply in the Netherlands is one of the safest in the world
6

Savings and strategic collaboration
22

Sanquin continues to be built by the people who work there
18

New products and services thanks to our 'under-one-roof' formula
10

Growth and self-sufficiency
14

FOREWORD
A TURBULENT YEAR

"Compliance is our license to operate."

Maarten le Clercq,
Chairman of the Executive Board

The year 2014 will go down in history as a difficult year for Foundation Sanquin Blood Supply. Unfortunately this is the first time in the organisation's existence that we have suffered a loss. However, it was a thought-provoking year. Our organisation has been recalibrated, as it were: we have readjusted our ambitions, introduced sweeping cost-saving measures and implemented an important programme in the area of compliance.

The year can be described as a year of transition. The Plasma Products division expected an enormous expansion of its production. For various reasons, however, this did not materialise, which in turn had an impact on our turnover. We discussed the separation of risks between the public and private sections of Sanquin and a transition to legally separate sections with the Ministry of Health, Welfare and Sport. This discussion should be completed in 2015. There was also a transition at management level: Aart van Os retired as chairman of the Executive Board on 1 June, after which I temporarily stepped into his shoes. The course I am taking does not diverge much from that of my predecessor. We will maintain Sanquin's strategy, although there will be greater emphasis on compliance, the strict observance of the regulations, within the organisation. This observance is vital for our organisation, as compliance is our licence to operate.
In this annual report, we will discuss 2014 on the basis of five themes. First, our ambition to deliver the best blood supply. The Blood Bank was faced with a significant decline in the demand for blood products. This had been foreseen, but the decline proved to be sharper than expected. Together with the disappointing growth in plasma products, this had a strong negative effect on our results. In order to operate more efficiently, a major reorganisation was launched within the Blood Bank a few years ago, which was successfully completed in 2014. The Blood Bank has its affairs in order.

A second driving force is working on solutions for patients. Sanquin is a knowledge-driven institute with a wide range of pharmaceutical services and products. Based on that identity, we continuously search for improvement and innovative new solutions. The reporting year also shows some nice examples of this. One example is our research into the application of eye drops made from donor blood for patients with extremely dry or damaged eyes.

We want to be an independent actor in the international pharmaceutical and diagnostic fields. It is prudent to moderate this ambition at this time, because we are not quite ready for this yet. Further professionalisation on various fronts is required in order to accomplish the desired growth. The intensive Compliance Enhancement Programme, which started in 2014, will therefore be continued in 2015.

With regard to patient diagnostics, we are investigating a possible partnership with six hospitals. By combining the knowledge-intensive and often expensive part of diagnostics and concentrating it in one location close to Sanquin, we will increase in scale and be able to perform these diagnostics efficiently. Innovation in the trial package is assured as a result of the close proximity of the Research division.

Investment in the organisation, a fourth area of concern, has been given shape in Sanquin's leadership programme. Executives at managerial level within the organisation attended a training to learn how to best guide their co-workers. An internal campaign was also set up to strengthen the perception of our core values – result oriented, innovative, enterprising and cooperative – among all Sanquin staff.

Last but not least, working towards a future-proof and financially solid organisation has a high priority. The Reagents division obtained a good operating result with an increase of more than 30% compared to 2013, but the whole of Sanquin ended up in the red for the first time in its existence. We took various measures to control the costs. Two committees were established to scrutinise all expenditure for investments and personnel. This resulted in stopping the development of a new building and reducing the number of external staff being hired.
The cost control measures obviously also had an effect on the personnel of Sanquin. Despite this, everyone again worked very hard over the past year, for which I would like to express my great appreciation. I would also like to thank the more than 370,000 donors for their generous and special gift, which enabled us to provide a safe and high-quality blood supply in the Netherlands day after day. Sanquin is a great organisation with an excellent international reputation thanks to the effort and involvement of all these people.

Maarten le Clercq,
Chairman of the Executive Board

BLOOD SUPPLY

THE BEST BLOOD SUPPLY

Despite the significant decline in the demand for blood products in 2014, the quality of the Dutch blood supply continued to be at a very high level. Sanquin was again able to satisfy the entire demand for blood products and supplied a total of some 430,000 units of red blood cells to Dutch hospitals. 2014 was also a year in which donors were given ample attention with their own conference and the appointment of the first Professor of Donor Medicine.

BLOOD SUPPLY

Spotlight on the donor

Attention to donor health and donor management still tends to be rather neglected in the world of transfusion medicine, where the emphasis is always on the patient. However, more knowledge about the donor is vital, for the purpose of, among other things, recruiting donors amongst minority groups (with different blood groups), retaining donors and delivering more customisation in blood products.
For this reason, Sanquin organised the very first European Conference on Donor Health and Management (ECDHM) in The Hague at the beginning of September. Around 250 participants from 37 countries, both scientists and practitioners, discussed various subjects relating to donors: the management of the donor database, donor recruitment, donor retention, blood collection and donor health.
During the very successful three-day conference, various international contacts were established and arrangements were made about joint research into donors. It also set a tradition: in 2016 the conference will have a sequel in Cambridge (UK).

First Professor of Donor Medicine

In March, Wim de Kort, Donor Affairs unit director in the Blood Bank division and head of Donor Studies in the Research division, took up the world's first chair in donor medicine. The chair is part of the department of Social Medicine in the Academic Medical Centre (AMC). Sanquin and AMC have been working together for decades in the Landsteiner Laboratory in the fields of immunology, haematology and transfusion medicine. With the Donor medicine chair, Sanquin's social medical and psychological research will be given an academic context. Wim de Kort considers the new chair to be great recognition for the discipline, which will benefit donor care. "I see my task as striking a balance between patient and donor, stimulating donor research and introducing more coherence in this area. Better insight into donor recruitment, selection and retention and the risks of donation is urgently needed."

280,000 blood donors fully characterised

In the reporting year, Sanquin completed a project started ten years ago at the request of the National Users Council: the creation of a donor database characterised for the presence or absence of 22 different blood group antigens (blood group antigens are found on the outside of red blood cells and determine the blood group). An extensive antigen profile of 77 percent of all donors, around 280,000 people, was created, in addition to the ABO, RhD, RhCE and Kell blood groups. This enables transfusion laboratories in Dutch hospitals to simply select erythrocyte products with a specific antigen profile for patients.
It provides health benefits for patients, because they will have a substantially lower risk of forming antibodies and transfusion reactions. Additionally, this will benefit children in the case of pregnant patients.
Saving time is also very important: the characterised blood is directly available in the stock of hospital laboratories or Sanquin's distribution centres. This saves many hours that can save lives in emergency situations. Furthermore, preventing complications in transfusions will reduce the number of subsequent medical treatments and laboratory testing required and therefore save costs. Internationally, Sanquin is far ahead of other blood supply organisations in the world with this characterised database. Sanquin continues to carry out 800,000 characterisations per year on new donors in order to keep the database up-to-date despite donor turnover.

90%

of the complaints should be handled within four weeks.

Better complaints handling

A satisfaction survey among donors in 2013 resulted in points for improvement in Sanquin's complaints handling. According to some donors, complaints were not handled fast enough. In the year under review, complaints handling was therefore centralised. All complaints now arrive at one point and are also handled centrally. Sanquin aims to handle 90 percent of the complaints within four weeks. This percentage was not quite achieved at the end of 2014, but the goal is expected to be achieved in 2015.

"I am committed to striking a good balance between patient and donor."
Wim de Kort, Professor of Donor Medicine

FOR PATIENTS

SOLUTIONS FOR PATIENTS

Innovative, enterprising, cooperative and result-oriented are the core values of Sanquin. These values are vitally important in the search for solutions for patients. Internal cooperation between staff in our research, diagnostics, blood supply and medicine production divisions enables us to develop new products. We are also keen to work with external partners. All our activities are aimed at achieving even better service and high-quality healthcare for patients all over the world.

Pioneering cancer research

Sanquin's researchers have made a pioneering discovery relating to a completely new way in which immune cells can kill cancer cells. "This amazing new way has never been described before and offers starting points for developing improved immune therapy against cancer", says Timo van den Berg, head of the Department of Blood Cell Research. "This is important because many cancers, especially metastasised forms, are still being treated with radical treatment methods such as chemotherapy with the associated adverse reactions." Van den Berg's department performs research in cooperation with researchers from other institutions, including the Dutch Cancer Institute. The post-doctoral researcher Hanke Matlung and postgraduate student Xi Wen Zhao are making the biggest contribution on behalf of Sanquin. In July Xi Wen Zhao received her PhD for this research from the University of Amsterdam. Meanwhile, Sanquin is undertaking follow-up research with an external partner into how to enhance the clearance of cancer cells by the immune system.

Eye serum from donors

Eye drops to protect and restore the cornea of extremely dry and damaged eyes are often made from the blood of the patient concerned. These drops consist of serum, the liquid remaining after the blood has clotted. However, the production of these autologous eye drops is quite invasive for patients. Sanquin therefore developed the idea of producing the eye drops from donor blood. The first allogeneic eye drops were frozen in 2014 and a clinical study was launched among a group of patients at Radboud university medical centre. The aim is to find out whether allogeneic eye drops are as effective and safe as the autologous products and thus a good alternative. If the research results are positive, Sanquin can include the allogeneic eye drops in its product range. Various ophthalmologists have already indicated that they see uses for this new product.

The tissue centre of the Netherlands

During the reporting year, Sanquin took the first step to establish a new business unit: Tissues and Cells. The activities covered by the Safety and Quality of Body Material Act will be concentrated in this unit: the Bone bank, the Umbilical Cord Blood Bank and the Groningen Stem Cell Laboratory. The Amsterdam Laboratory for Cell Therapy (LCT) will join the unit at a later stage. "The tissue chain in the Netherlands is currently fragmented", says Managing Director of the new unit Daphne Thijssen. "Centralisation of all tissue-related activities in one organisation offers better assurance of production quality and safety, saves costs due to more efficient operations and will lead to more product innovation." According to Thijssen, Sanquin is the organisation of choice to undertake this centralisation because of its size and the similarities with the Blood Bank process. "We want to be the tissue centre of the Netherlands. In 2014, the LCT obtained a GMP certificate and marketing authorisation for the production of advanced therapy medicinal products and exploratory talks were also held with the Bislife tissue bank in Leiden and the Heart Valve Bank Rotterdam about incorporation into the Tissues & Cells Unit.

On the cover

In September, the research study performed by Sanquin's Daphne van Geemen and her colleagues makes the cover of scientific journal A*TVB (Arteriosclerosis, Thrombosis, and Vascular Biology)*. In their paper, the Sanquin researchers present the data of the *visualization of focal adhesions and the actin cytoskeleton in human vasculature.*

Another piece of Sanquin research makes the cover of a scientific journal, this time the *Haematologica* in October 2014. It is a graphic summary of a paper by Sabrina Zeddies and her colleagues. The paper describes a new important role of transcription factor MEIS1, a gene that controls the functioning of certain other genes. This transcription factor is required for the production of red blood cells and blood platelets.

Promising researcher

During the Sanquin Science Day on 28 November, Lotte van de Stadt won Sanquin's two-yearly PhD award. The researcher is training to become a rheumatologist and conducts research at Sanquin and Reade, a centre for revalidation and rheumatology. In her presentation, entitled *The development of auto-antibodies in pre-clinical rheumatoid arthritis*, Van de Stadt shows how the presence of autoantibodies helps predict rheumatoid arthritis. This can prevent or postpone the onset of the disease.

"This amazing discovery offers starting points to develop an improved therapy against cancer."
Timo van den Berg, head of the Department of Blood Cell Research

INTERNATIONAAL

AN INDEPENDENT ACTOR IN THE INTERNATIONAL PHARMACEUTICAL AND DIAGNOSTIC FIELDS

Due to various setbacks, Sanquin did not manage to grow as fast as it had envisaged in 2014. For example, the processing of plasma for the American pharmaceutical company Baxter was postponed. During an inspection, the FDA noted that improvements were still needed in various areas of our production processes. However, there were also positive developments in this area: Sanquin established special departments to boost innovation and new orders and obtained an important accreditation.

Diagnostics accredited according to the latest standards

Sanquin's diagnostic laboratory is the first laboratory of this size in the Netherlands to be accredited according to the latest quality standard for medical laboratories (ISO 15189-2012). This international standard specifies the requirements for quality and competence in medical laboratories. Several existing quality standards have been combined under the standard and the requirements have also become more stringent.
In this laboratory, donor blood will be screened for the presence of viruses. Sanquin also tests patient samples submitted by hospitals and general practitioner laboratories from all over the Netherlands. Sanquin was already accredited according to the CCKL Practice Guideline, ISO 17025 for General Testing Laboratories and ISO 15189 (version 2007) for Medical Laboratories.
The Council for Accreditation awarded the label after intensive inspections of the Sanquin labs in Amsterdam, Dordrecht and Groningen. "We are very proud of this new accreditation", says Quality Manager Stephanie Ágoston. "It took more than a year of preparation. At the same time, it is a matter-of-course for us to be in the lead in terms of safety and quality. We want the very best for our clients and therefore for Dutch patients."

Medicines for American patients

In 2013, the American Food and Drug Administration (FDA) warned Sanquin that several important steps were still required in order to have Sanquin's quality processes comply with FDA rules. These regulations differ from those of the European control institutions, which are already met by Sanquin. Compliance with FDA regulations is necessary because Sanquin also supplies medicines from American plasma to the American market.
In order to ensure that staff members accurately observe all regulations and the necessary adjustments are made, Sanquin started a Compliance Enhancement Programme (CEP) in 2014. This programme focuses on a change in mentality among staff, better internal communication regarding the regulations of Good Manufacturing Practices and improvement of systems and processes where possible, among other things.
Many efforts were made throughout the year to resolve all bottlenecks highlighted earlier by the FDA inspectors. In November, the FDA again inspected the Sanquin facility in the Netherlands and the subsidiary CAF-DCF in Belgium. Many issues were resolved, but some new points for improvement emerged in both facilities, meaning that the warning letter still applies. However, the production of Cinryze for American patients can continue. That is the conclusion of a visit by Sanquin to the FDA on 27 April 2015.

"We want the best of the best for our clients and therefore for Dutch patients."
Stephanie Ágoston, Quality Manager

New units for strategic course

Sanquin would like to carry out more orders from third parties in order to create a firm foundation for the production of medicines from plasma for the Dutch market. Cost effective production of these medicines requires a certain scale size. By fractionating plasma for third parties as a Contract Manufacturing Organisation (CMO) we can optimally use the production facility and keep the cost of Dutch medicines lower. In line with this strategy we also want to develop more new medicines ourselves. In order to properly streamline these ambitions, three new units will be established. The CMO unit coordinates international activities for external clients. The Supply Chain Management unit will make sure that all separate steps in the production chain of medicines are properly linked. The task of the Research & Development unit is to develop new products in the areas of haematology, immunology and transfusion medicine.

Sanquin in the media

As an organisation with an important social task, Sanquin regularly triggers reactions and critical questions from society. Wasn't Sanquin taking on too much with its ambition to enter the American market? That's the question asked by the Volkskrant newspaper in a prominent article on Saturday 22 November. Sanquin does not recognise itself in the portrayed picture. Sufficient scale in the production of plasma medicines is in fact required to be able to continue providing this service in the Netherlands too. This means that the Food and Drug Administration (FDA), among others, inspects how Sanquin prepares the medicines for America. Regulations and the associated inspection method by the FDA are different from those of European inspection agencies. Sanquin satisfies the Dutch inspection standards, but modifications are required if it is to meet American standards. Sanquin is working hard to achieve this and is supported by its international partners.

ORGANISATION

INVESTMENTS IN THE ORGANISATION

The customer focus of an organisation is largely determined by its staff. Sanquin therefore devotes a great deal of attention to its human capital. The emphasis in the reporting year was on management.
In order to manage staff properly, managers must also have self-knowledge. A leadership programme helps them to increase this knowledge. In addition, Sanquin put the results of the staff survey conducted in 2013 into practice.

Leadership programme

In order to achieve Sanquin's ambitions, a different style of management is required in the organisation. This new style is ruled less by daily issues and more by a long-term vision in which staff can take their own responsibility. Together with the Hay Group management consulting firm, Sanquin developed a leadership programme for all managers. "Our managers have to deal with many changes," says Laura von Ende, who is involved in the leadership programme as a Human Resource Development consultant. "Our new strategic course requires a certain organisational climate and a particular style of management. We want to help managers adapt as well as possible. In the programme, we link the strategic themes and challenges of Sanquin to the manager's personal development. We review the various styles of leadership and the managers' natural leadership style and we discuss which style is most suited to which situation." The managers draw up a plan of development for themselves in which they record their own learning points.

Follow-up on staff survey

Once every few years, Sanquin conducts a staff satisfaction survey. The 2013 survey showed that Sanquin scores less well than other organisations with regard to communication and appreciation. These are aspects which have a great impact on how staff experience their work. In the reporting year, various working parties embarked on concrete points of action:

- Every month, a colleague or team is proclaimed Staff member of the Month. Staff members who have set an example, fulfilled a leading role or who have made a difference with something big or small, are placed in the limelight. Anyone may nominate a colleague.
- Managers are advised to have an open office hour once a week to increase their accessibility to their team.
- 'Tips and tops' are introduced as an item in various work meetings. At this item, staff members can discuss what is going well and what can be improved.
- In order to emphasise that initiatives are appreciated and important, any member of staff who has a good idea that transcends departmental boundaries may present this personally to the management team of the unit, division or Sanquin.

Healthy staff

Sanquin wants to provide its staff with a safe working environment. People working with blood run the risk of infection from viruses and bacteria, for example as a result of an accident with a needle. New staff are therefore given the opportunity to be vaccinated against hepatitis B. In 2014, around 100 staff were vaccinated.
All staff are also entitled to the annual flu jab. In 2014, 187 staff took this injection.

Compliance Enhancement Program (CEP)

Following the warning letter that was received from the FDA after the last quality inspection at Plasma Products, a Compliance Enhancement Program (CEP) was started with accompanying changes in culture to ensure strict adherence to (inter)national legislation in the production of plasma medicines. The CEP program was set up with six quality systems, which make it possible to trace, identify, modify and solve the issues mentioned by the FDA and to formalise and document them. A communication plan was launched on 26 February 2014 and a system was implemented in order to measure, report and monitor progress. Overarching and ongoing procedures, processes and work orders were developed and calibrated and at the end of 2014 there was a lot of work going into cementing these into the culture of the organisation. The ultimate goal is to achieve a CGMP-compliant system that includes current legislation and has the approval of the FDA.

Together Sanquin

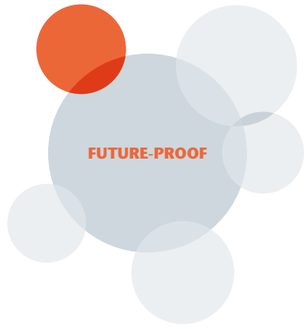
In order to involve staff in the organisation and promote pride in its work, Sanquin launched the internal communication campaign 'Together Sanquin'. With posters, meetings, a dedicated website and other means, the campaign addresses organisation-wide themes, such as strategy, innovation and appreciation for each other. Staff can send paper or digital Facebook likes to give a complement, for example.

"Our managers have to deal with many changes."
Laura von Ende, HR Consultant

FUTURE-PROOF

A FUTURE-PROOF AND FINANCIALLY SOLID ORGANISATION

Sanquin's strategy, revised in 2013, was further embedded in the organisation in 2014. The strategy is based on three pillars: innovation, efficiency and organisation. During the reporting year, various measures were taken to improve the organisation's efficiency and to establish a firm financial base for the long term. This required a reorganisation of various business units, partnering with external parties where necessary and controlling costs.



Strategic alliance Diagnostics

The prices of diagnostic services in the Netherlands are under pressure. Hospitals are carefully monitoring their costs and limiting requests for diagnostic determinations. Sanquin has therefore joined six hospitals that are already discussing a possible alliance of their laboratories: Flevo Hospital in Almere, MC Zuiderzee in Lelystad, OLVG Hospital, Boven IJ Hospital, Saint Lucas Andreas Hospital and Slotervaart Hospital in Amsterdam. The seven organisations are currently exploring the possibility of creating one central laboratory together. Masja de Haas, Cluster Manager of Immunohaematological Diagnostics: “A dynamic laboratory needs to have a good mixture of routine diagnostics, complex diagnostics and test development. The diagnostic packages offered by the seven alliance partners complement each other well. By combining the knowledge-intensive and often expensive diagnostics and concentrating it in a single location near Sanquin, we increase in scale and are able to perform these diagnostics more efficiently. Innovation in the trial package is assured due to the close proximity of the Research division.” Under the Blood Supply Act, Sanquin is responsible for donor screening and will continue to carry out this task. The patient diagnostics performed by the Diagnostics division would be transferred to the central laboratory, including 155 FTEs. The new laboratory should be operational by the end of 2016.

Savings at the Blood Bank

The major reorganisation of the Blood Bank division that was started in 2012 was largely completed by late 2014. The reorganisation was initiated following a request from the Minister of Health, Welfare and Sport to Sanquin to improve the efficiency and cost effectiveness of its operations. Furthermore, mid-way through this process it became clear that even greater savings were required as a result of the declining demand for blood products.

The Processing and Quality Control departments in Groningen and Rotterdam were combined with the Nijmegen and Amsterdam locations. The number of distribution locations was reduced from eleven to seven: five sites were closed and one new site was opened in Deventer. This reduction in the number of square metres produced substantial cost savings.

The reduction in the number of FTEs also had an impact on the savings. 139 staff members were declared ‘pre-redundant’. 35 of them found another job within Sanquin and 7 staff members were assisted to find a job outside Sanquin. The other staff members left the organisation in accordance with the agreements of the social plan. “I had hoped that more of these139 staff members could have remained with Sanquin”, says Jeroen de Wit, director of the Blood Bank and vice chairman of the Executive Board. “But I also understand the practical obstacles when moving to another place within Sanquin, such as a partner with a job and selling your house.” The total staff of the Blood Bank was reduced by 25 percent.

Reorganisation of Facilities Services

Sanquin’s Facilities Services is mirroring the changes in the organisation. In 2014, the four regional Facilities Services were therefore combined into one national Facilities Services to support all parts of Sanquin. This makes it possible to negotiate large national contracts with suppliers at lower rates and with better services. Transport falling outside the regular routing was outsourced to external companies. Furthermore, a single national hotline was set up to handle all queries, while the six local warehouses were replaced by one big national warehouse supplying the whole of the Netherlands. As a result of these adaptations, Sanquin saves 20 percent on the costs of Facilities Services, amounting to some 4 to 5 million euros per year.

Reducing costs

Due to the combination of unforeseen circumstances, Sanquin’s operating result was lower than expected in the first half of 2014. The reduced growth in the production of plasma medicines was an important factor, as was the unexpected rapid decline in the demand for blood products. The reorganisation of the Facilities Services got under way at a later stage, which meant that the effect of the expected cost savings came later. Finally, the number of hired external staff within Sanquin had an impact on the costs. For various reasons, the number of external staff increased substantially in recent years.

Sanquin took several measures to address the poor financial situation. Where possible, investments were delayed and the recruitment of new staff and renewal of contracts was frozen. The use of external staff was limited. Cost reduction will be an ongoing part of Sanquin’s operations in order to remain financially solid and healthy.

“By combining diagnostics we will increase in scale and be able to carry out the work efficiently.”
Masja de Haas, Diagnostics Manager

Financial results

In 2014, Sanquin increased its revenue to € 460.2 million (2013: € 431.0 million). The Plasma Products Division experienced a significant increase in revenues that is partially offset by the Blood Bank's decline in turnover. The operating result for 2014 is significantly negative (negative € 23.0 million) compared to a positive € 25.1 million operating result in 2013. This is primarily due to the significant expenditures required to implement the quality measures in the Plasma Products Division in response to the warning letter issued by the FDA. In addition, partly as a result of the quality problems, turnover was lower than expected due to the delays encountered in scaling up CMO production for Baxter. In part due to these conditions, net profits in 2014 dropped to negative € 16.6 million (2013: positive € 16.9 million).

In summary the profit and loss account is as follows:

(x € millions)	**2014**	2013	Change	
	€	€	€	%
Revenues	460.2	431.0	29.2	6.8
Costs of raw materials and consumables	138.3	110.2	28.1	25.5
Staff costs	184.2	164.2	20.0	12.2
Gross margins	137.7	156.5	-18.8	-/-12.2
Other operating expenses	133.4	106.2	27.2	25.6
EBITDA	4.3	50.4	-/-2.3	-/-4.4
Depreciation	27.4	25.2	2.2	8.7
Operating result	-/-23.0	25.1	-/-48.2	-/-192.0
Financial income and expenses	-/-1.7	-/-0.7	-/-1.0	-/-142.9
Taxes	7.3	-/-7.1	14.4	202.8
Share of third parties	0.8	-/-0.5	1.3	260.0
Net profit	-/-16.6	16.9	-/-33.5	-/-198.2

Key financial developments in 2014

Total revenues rose to € 460.2 million (2013: € 431.0 million). This includes other revenues and the movement in stocks. The underlying turnover in 2014 rose by 6.4% to € 418.7 million (2013: € 393.4 million). This turnover development can be specified as follows:

Turnover specification

(x € millions)	€	%
Per division		
Plasma products	240.7	+17
Blood Bank	136.3	-/-5
Diagnostic Services	19.1	-/-7
Reagents	12.2	-/-1
Research	9.0	+22
Other activities	1.4	-/-247
Total	**418.7**	

(x € millions)	€	%
Geographic		
Netherlands	227.7	-/-1
Abroad	191.0	+16
Total	**418.7**	

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 dropped slightly. Turnover in the Reagents Division has remained essentially unchanged. External revenues from Research have increased thanks to a greater number of third party grants.

The gross margin (revenues minus cost of materials and staff) as a percentage of turnover amounts to 30.0% (2013: 36.3%). The increase in staff costs (by 12% to € 184.2 million) and material costs (by 26% to € 138.3 million) is primarily due to the expansion of production and investments in the Plasma Products quality organisation.

Other expenses increased by 27% to € 133.4 million. This is primarily due to higher accommodation costs and higher IT costs. This resulted in a drop in EBITDA margin from 11.7% in 2013 to 4.0% in 2014.

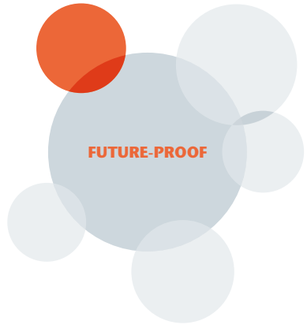
In 2014, depreciation rose by 8.7% to € 27.4 million. Total operating expenses in 2014 increased by 19% to € 483.3 million (2013: € 405.9 million). This increase exceeds the increase in revenues (6.8%). Thus, the operating result dropped to negative € 23.0 million (2013: positive € 25.1 million).

Financial income and expenses amount to € 1.7 million (2013: € 0.7 million). Financial expenses also include the result of participating interests in the amount of negative € 0.8 million (2013: negative € 0.3 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.

In 2014, tax income amounting to € 7.3 million was recognised because the tax expense recognised in 2013 can be reclaimed due to the loss reported in 2014.

This means the net profit over the 2014 financial year was negative € 16.6 million (2013: positive € 16.9 million). In summary, Sanquin's balance sheet is as follows:

(x € millions)	**2014**	2013
Fixed assets	208.7	195.3
Stocks	160.9	159.5
Receivables	90.3	82.7
Liquid assets	35.8	73.9
Total assets	495.7	511.4
Provisions	13.8	15.0
Long-term debts	38.0	31.3
Short-term debts	126.1	129.6
Group equity	317.8	335.5



The balance sheet total is € 495.7 million (2013: € 511.4 million). Total working capital amounts to € 125.2 million (2013: € 112.6 million). As a percentage of revenues, working capital is 27% (2013: 26%).

The stocks and the short-term debts within the working capital are virtually the same. The accounts receivable balance (total receivables) increased in 2014, due to the previously mentioned tax claim.

The capital employed decreased to € 369.6 million (2013: € 381.8 million). The return on capital employed at the end of the financial year was -/- 4.5% (2013: 6.6%), based on the operating result.

Equity at the end of the financial year was € 299.5 million (2013: € 316.0 million).

Solvency at the end of the financial year was 64% (2013: 66%). Net liquidity (balance of cash positions and long-term loans) at the end of the financial year was negative € 2.2 million (2013: positive € 42.7 million).

The net cash flow from operating activities was negative € 3.9 million (2013: positive € 47.9 million). The operating cash flow for working capital was 16% higher, amounting to € 26.1 million (2013: € 22.6 million). The cash flow including movements in working capital was negative € 12.7 million (2013: positive € 7.9 million). The free cash flow was negative € 40.9 million (2013: negative € 0.6 million). This is because the available cash flow is not sufficient to finance the investments.

Prospects 2015

In 2015, Sanquin expects to see a continued increase in turnover as a result of further growth in contract manufacturing activities of Plasma Producten. Further essential investments in the quality organisation to make the production FDA-compliant will continue to place strain on profit margins. Sanquin is expected to be able to make the essential investments in maintenance in 2015 without additional external financing.

Employees have been working hard throughout the year to tackle the bottlenecks that were previously detected by the FDA inspectors. The FDA will make another inspection visit in November to the Sanquin factory in the Netherlands and the subsidiary CAF-DCF in Belgium. Many issues have been resolved, but new points for improvement have been detected at both facilities, meaning that the warning letter still applies. However, the production of Cinryze for American patients can continue. That is the conclusion of a visit by Sanquin to the FDA on 27 April 2015.

The meeting was intended to give the FDA insight into the progress that we are making on improvements of compliance in the production of medicines for the USA. The FDA invited us because questions had been raised about the rate at which the improvements in quality awareness were taking place. During this constructive meeting, the FDA voiced its confidence in the progress. We achieved this by presenting a package of measures. It was agreed that Quantic, a party trusted by both the FDA and Sanquin, will monitor the production, quality control and release in Amsterdam and Brussels for the time being. Sanquin will also maintain monthly contact with the FDA to discuss the progress. The FDA has stated that it is convinced that both Sanquin and Shire are committed.

Following thorough preparations, the Executive Board decided as of 24 April 2015, as a first step in the risk-shedding process, to release the Plasma Products Division and move it to a private limited company (b.v.) under the Foundation Sanquin Blood Supply. This decision could be made following the advice from the Industrial Council, which involved intense and very constructive consultations. The Plasma Products Division will be split into “Sanquin Plasma Products bv”, with Foundation Sanquin Blood Supply as 100% shareholder.

In an operational sense, the BV can continue to cooperate with other divisions, group staff and group services of Sanquin, meaning that none of the cooperative synergy will be lost. The executive under the articles of association of the BV will be formed by Jeroen de Wit, also a member of the Executive Board of the Foundation. The tasks and authority of the current Management Team of Plasma Products will not change. A decision on further implementation of the risk-shedding is expected mid 2015.

REPORT EXECUTIVE BOARD

From left to right: Mr R.A.W. van Lier (member), Mr O. Dijkstra (secretary), Mr H.J.C. de Wit (vice chairman), Mr le Clercq (chairman from 1 June 2014)

Membership

In 2014 the Executive Board consisted of:

- Mr A. van Os (chairman until 1 June 2014)
- Mr H.M. le Clercq (chairman from 1 June 2014)
- Mr H.J.C. de Wit, (vice chairman)
- Professor R.A.W. van Lier (member)
- Mr O. Dijkstra (secretary)

Meetings

The Executive Board met fifty-one times in 2014. 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.

Financial situation

Revenue increased by 7%, but this is insufficient to compensate for Sanquin's increasing expenditure in recent years. A loss of € 16.5 million is reported over 2014. Sanquin's financial situation has deteriorated, making it essential to reduce costs. In the middle of 2014, the Executive Board took measures to reduce the overall staffing costs and other expenditure. The level of investments was also reduced. Limiting the costs will be a continuous part of Sanquin's operations. It will enable Sanquin to remain financially solid and healthy.

Sanquin's legal structure

In 2012, the Minister of Health Welfare and Sport indicated to the President of the House of Representatives 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 the middle of 2013, Sanquin proposed a desired structure change to the minister in order to meet both the minister's request and its own wishes regarding the further development of Sanquin. Sanquin and the Ministry of Health, Welfare and Sport also met regularly in 2014 to discuss the structure and especially the positioning of Sanquin's legal responsibilities within the intended structure. The minister has indicated that she wishes to retain the hybrid structure, with public and market activities combined under one roof. Following thorough preparation, the Executive Board has decided as of 24 April 2015, to split off the Plasma Products Division as a first step in the risk-shedding process and to transfer this division to a private limited company (BV) under the Foundation Sanquin Blood Supply. A decision is expected to be made in the middle of 2015 to ensure further implementation of the separation of risks.

Reorganisation of the Blood Bank division

The Minister of Health, Welfare and Sport imposed cost cutting measures on all healthcare actors. In line with these cost cutting measures, the Minister demanded that the Blood Bank also increases its efficiency by 6%. Sanquin achieved this target in 2011 through 2014 through the reorganisation of the blood bank 2015 and other measures as part of the outlet reduction. For a number of years, the demand for blood products has been declining. This trend continued in 2014. Reasons for this persistent drop include the improvement in stock management and logistics, implementation of the CBO Blood Transfusion guideline, increased cost awareness among our customers, improved surgical techniques and fewer medical interventions. Sanquin appreciates the frugal use of blood in the Netherlands. The Blood Bank has therefore increased the efficiency and reduced the costs, among other things by making further staff adjustments, in order to prevent an increase in the price of blood products with a short shelf-life.

Contract Manufacturing

Since the end of 2013, Sanquin has been collaborating with the biopharmaceutical company Shire, the successor of the American pharmaceutical company ViroPharma. Sanquin has been producing the plasma medicine Cinryze from American plasma in cooperation with ViroPharma since 2008 as a contract manufacturing organisation. This partnership now supplies a very effective medicinal product, which had been available for a long time to patients with hereditary angio-oedema in the Netherlands, all over the world. Shire is involved in the improvements in the area of Compliance.

In 2012, Sanquin signed a contract with US pharmaceutical company Baxter. In 2013 and 2014, the production capacity for processing Baxter's plasma was increased. The validation of processes and the set-up of the production lines took more time than initially expected. In 2015, the fractionation of plasma will start, in order to increase the production of albumin and immunoglobulins which are used, among other things, for the treatment of burns and diseases where the defence against infections or the body's own cells is disrupted.

Compliance

In the autumn of 2013, Sanquin received a warning letter from the US Food and Drug Administration (FDA) pointing out the bottlenecks in the production process of medicines for the American market. A Compliance Enhancement Programme was launched to improve compliance with US regulations. During the autumn of 2014, the FDA carried out a re-inspection at Sanquin. According to the FDA, many issues have been resolved, but new points for improvement have also been detected, meaning that the warning letter still applies. However, production of Cinryze for American patients can continue.

Management of the Plasma Products division

At the end of November 2013, the Executive Board decided to change the management structure of the Plasma Products division to respond to the division's challenges and growth strategy. This strategy consists of strengthening the contract manufacturing activities, the further internationalisation of products, the gradual establishment of a pipeline of new products and strengthening the required compliance. Three functions were added to the existing Management team in 2014: Supply Chain Management, Contract Manufacturing Organisation, Research and Development. In order to devote the necessary attention to the activities of the Plasma Products division in both the Netherlands and Belgium, the Executive Board decided to strengthen the management of the Plasma Products division with an interim divisional director for the location in Amsterdam.

Alliance of Diagnostics

Sanquin wants to establish a common laboratory together with six hospitals in the Amsterdam and Flevoland regions in which four specialisms are represented: clinical chemistry, immunohaematology, medical microbiology and pathology. If the plans are implemented, the patient diagnostics performed by the Diagnostics division will be transferred to the common laboratory. The initiative for collaboration was motivated by the conviction that in future a high-quality diagnostic service can only be offered cost-efficiently by pooling know-how and infrastructure. As a result of this initiative, it is possible to maintain a wide range of top diagnostics, know-how and innovation in the interaction with the Research division. This reflects the mission and vision of Sanquin.

ICT transition

A large upgrade of the Windows environment was completed in 2014. A large number of IT workstations were also transferred to the web-based Citrix environment. This resulted in a further standardisation and simplification of the IT environment, allowing for more efficient maintenance and management in future. A start was also made in 2014 with the migration of ICT under a new contract with Centric for the management of the ICT infrastructure. This migration will be completed in 2015.

Tissue activities

In the long term, Sanquin aims to create a coordinated tissue supply in which the tissue activities within the Netherlands will be combined wherever possible and incorporated in Sanquin. The various cell and tissue activities within Sanquin currently take place in the Umbilical Cord Blood Bank, the Bone Bank, the Stem Cell Laboratory in Groningen and the Laboratory for Cell Therapy. Sanquin wants to combine these activities and incorporate them in the new Tissues and Cells business unit.

The Executive Board looks back on a turbulent reporting year, recognises the existing challenges and, above all, looks to Sanquin's future with confidence.

Amsterdam, May 2015

Executive Board

Overview of additional positions

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

Mr H.M. le Clercq

Chief position:
Chairman of the Executive Board (from 1 June 2014)

Other positions:
Member of the Supervisory Board Spaarne Hospital, Member of the Supervisory Board 't Lange Land Hospital, Member of the Supervisory Board, Royal Tropical Institute, Member of the Supervisory Board Rheumatism Fund, Treasurer Erfocentrum (Dutch Genetic Centre)

Mr H.J.C. de Wit

Chief position:
Vice chairman of the Executive Board

Other positions:
Member of the Executive Board CVBA CAF/DCF in Brussels (from 16 May), 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 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

Chief position:
Member of the Executive Board

Other positions:
Professor of experimental immunology, University of Amsterdam, Board member, Immunovalley Foundation, Vice president, EFIS (European Federation 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 the scientific and medical advisory council, Immunobank NV

A. van Os

Chief position:
Chairman of the Executive Board
(until 1 June 2014)

Other positions:
Member of the Board, CAF, Brussels (until 16 May 2014)
Director of LSBR (until 1 June 2014)

REPORT SUPERVISORY BOARD

Membership

In 2014, the members of the Supervisory Board were:

- Professor F.C. Breedveld (chairman)
- Ms K. Bergstein, (vice chairperson and chairperson audit committee)
- Mr M.J.W. Bontje
- Professor C.G. Figdor
- Mr A.K. Lahr (member audit committee)
- Mr. O. Dijkstra (secretary)

The Board monitors 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. In its activities, the Board observes the Sanquin Corporate Governance Code that stipulates the rules and procedures for good governance, effective supervision and clear accountability. The Supervisory Board membership is such that the statutory requirements of experience and expertise are amply fulfilled.

Meetings

In 2014, the Board held nine meetings, four of which were regularly planned meetings. Members of the Board also maintain individual contact with Sanquin management and staff. On 23 October, the Chairman of the Board met the Sanquin Works Council to discuss the general course of affairs within the organisation.
Financial reports, the 2013 annual report, the 2013 annual accounts and the accountant's report were discussed and approved in the presence of the external accountant. The Board approved the policy plan, the 2015 budget and Mid-term Plan. As is customary, the Board also discussed the risk inventory drafted by the Executive Board and the corresponding management measures.
The Board appoints an audit committee, consisting of the members Bergstein and Lahr, to monitor the provision of financial information, the internal risk management and control systems, and follow-up on recommendations made by the external accountant. The audit committee met four times in 2014.

Current events

The Supervisory Board paid a great deal of attention to the following topics during the reporting year:

Chairman of the Executive Board

Aart van Os stepped down as chairman of the Executive Board of the Sanquin Blood Supply Foundation on 1 June 2014. His departure was agreed in consultation with the Supervisory Board of Sanquin. The Supervisory Board decided on this measure due to the lack of chemistry within the Executive Board. The Supervisory Board is looking for a new chairperson. Maarten le Clercq joined the Executive Board on 1 June 2014 to temporarily take over the role of chairman.

Financial situation

The Supervisory Board discussed the acute and more structural measures that will be introduced to limit the costs and keep the cash flow at the required level.

Structural changes

The Board was informed on several occasions about the details of a different legal structure for Sanquin and the discussions about this with the Ministry of Health, Welfare and Sport.

Strategy

The Board met with the Executive Board and division directors to discuss the divisional strategies that were reformulated in 2013, as well as their implementation in the organisation.

FDA warning letter

The Board was extensively informed about the effects of corrective actions and investments required in connection with the warning letter received by Sanquin from the American Food and Drug Administration (FDA) in 2013.

Progress reorganisation of the Blood Bank division

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

Progress developments in Plasma Products division

The Board discussed the developments regarding the collaboration and contract negotiations with the strategic collaborative partners of Sanquin in Amsterdam and subsidiary CAF-DCF in Belgium.

Diagnostics alliance

The Board approved the Executive Board's intention to place the activities relating to patient diagnostics into a new common laboratory yet to be established in which Sanquin will participate as shareholder together with six hospitals in Amsterdam, Lelystad and Almere.

Tissue activities

The Supervisory Board took note of the intention to establish a Tissues business unit and the possible acquisition of a Dutch tissue institute.

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 Board is designed in such a way that conflicts of interest are avoided. The Board performs interim evaluations of the functioning of the Executive Board.

Quality, safety and availability of blood products in 2014 were once again made possible thanks to the strong involvement and efforts of donors. The Supervisory Board is deeply grateful to them and to all Sanquin employees for their efforts in 2014 and the way in which they achieved Sanquin's goals together.

Amsterdam, May 2015

Supervisory Board

Overview of additional positions

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

Professor dr. F.C. Breedveld

Chairman of the Supervisory Board as of July 2013, appointed in September 2010, stepping down in September 2018, not eligible for reappointment.
Chief position:
Chair of the Executive Board, Leiden University Medical Centre
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, Veer Foundation

Ms K.T.V. Bergstein, MBA

Appointed 1 September 2012, stepping down 1 September 2016, eligible for reappointment.
Chief position:
Member of the Executive Board, ASR Nederland N.V.
Other positions:
Member of the Supervisory Board, University of Utrecht, Member of the Supervisory Board, Arboned

Mr M.J.W. Bontje

Appointed 1 June 2013, stepping down 1 June 2017, eligible for reappointment.
Chief position:
Owner, Bontje Advies en Management
Other positions:
Chairman, InEen, Chairman of the Supervisory Board, Breburg, Vice chairman of the Supervisory Board, Rivas, Board member, Foundation Wie Beter Eet Wordt Sneller Beter ('He who eats better will recover faster'), Chairman, St. Pand Hospice Nieuwegein, Chairman of the Supervisory Board Ophthal-mological Medical Centre Zaandam, Member of the Supervisory Board, Facial Plastics, Member of the Supervisory Board, Woman and Clinics

Professor C.G. Figdor

Appointed 1 June 2013, stepping down 1 June 2017, eligible for reappointment.
Chief position:
Professor of Immunology, Radboud University Medical Centre Nijmegen
Other positions:
Member, Health Council of the Netherlands, Member, Scientific Council Kika, Member Advisory Board NKI, Initiator Scientific Interchange Radboud University

Mr A.K. Lahr

Appointed 1 July 2013, stepping down 1 July 2017, eligible for reappointment.
Chief position:
CEO, Fasttrack company
Other positions:
Member investment committee, Social Impact Ventures NL, Consultant with various companies

ANNUAL ACCOUNTS 2014

Consolidated Annual Accounts 2014

Consolidated Balance Sheet as at 31 December 2014 (before profit appropriation)

		31 December 2014		31 December 2013	
(€ 000's)	Ref.	€	€	€	€
Assets					
Fixed assets					
Tangible fixed assets	6	204,936		195,332	
Financial fixed assets	7	3,750		0	
			208,686		**195,332**
Current assets					
Stocks	8	160,945		159,464	
Receivables	9	90,339		82,697	
Liquid assets	10	35,785		73,942	
			287,069		**316,103**
			495,755		**511,435**
Liabilities					
Group capital					
Equity	11	299,467		316,009	
Share of third parties	12	18,372		19,483	
			317,839		**335,492**
Provisions	13		**13,812**		**15,025**
Long-term debts	14		**38,008**		**31,273**
Short-term debts	15		**126,096**		**129,645**
			495,755		**511,435**

Consolidated Profit and Loss Account for 2014

		2014		2013	
(€ 000's)	Ref.	€	€	€	€
Net turnover	17	418,705		393,375	
Change in stocks of finished products and work in progress		20,488		27,306	
Other operating income		21,043		10,346	
Total operating income			**460,236**		**431,027**
Costs of raw materials and consumables		138,296		110,249	
Wages and salaries	18	152,812		136,115	
Social security charges incl. pension	18	31,370		28,116	
Depreciation of tangible fixed assets	22	27,363		25,244	
Other operating expenses	23	133,416		106,184	
Total operating expenses			**483,257**		**405,908**
Operating result			**-23,021**		**25,119**
Revenue from financial fixed assets	25		-814		-264
Interest income	25		341		955
Interest expenses	25		-1,239		-1,337
Result from ordinary business operations before taxes			**-24,733**		**24,473**
Tax on result from ordinary business operations	26		7,345		-7,071
Share of third parties			846		-472
Result after taxes			**-16,542**		**16,930**

Consolidated Cash Flow Statement 2014

		2014		2013	
(€ 000's)	Ref.	€	€	€	€
Cash flow from operating activities					
Operating result			-23,021		25,119
Adjustments for:					
Depreciation of tangible fixed assets	22	27,363		25,244	
Change in provisions	13	-1,213		-2,641	
			26,150		**22,603**
Change in operating capital:					
Increase of Stocks	8	-1,481		-26,871	
Increase of Receivables	9	-7,642		-216	
Increase of Short-term debts	15	-3,549		34,949	
			-12,672		**7,862**
Cash flow from business operations			**-9,543**		**55,584**
Other movements in consolidation		-814		-268	
Interest received	25	341		955	
Corporation tax	27	7,345		-7,071	
Interest paid	25	-1,239		-1,337	
			5,633		-7,721
Cash flow from operating activities			**-3,910**		**47,863**
Cash flow from investing activities					
Investments in tangible fixed assets	6	-36,960		-47,248	
Cash flow from investing activities			**-36,960**		**-47,248**
			-40,870		**615**
Cash flow from financing activities					
Receipts from long-term debts		4,136		16,700	
Repayments of long-term debts	14	-1,423		-20,733	
Cash flow from financing activities			**2,713**		**-4,033**
Net cash flow			**-38,157**		**-3,420**
Increase/(decrease) of cash	10		-38,157		-3,420

The development of cash is as follows:

	2014		2013	
(€ 000's)	€	€	€	€
Balance as at 1 January		**73,942**		**77,362**
Change during the financial year		-38,157		-3,420
Balance as at 31 December		**35,785**		**73,942**

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 Continuity

Sanquin Blood Supply's equity as at 31 December 2014 was € 299.5 million. Liquid assets decreased from € 73.9 million to € 35.8 million during the reporting year. In addition to the available liquid assets, Sanquin uses loans from banks (for CAF subsidiary), the CMO partner Baxter and the Landsteiner Foundation for Blood Transfusion Research (LSBR) to finance its operations.

Based on the forecasted result and the expected investments, Sanquin is projecting a negative cash flow for 2015. On the basis of plans and initiatives for 2015, Sanquin expects to be able to close 2015 with a positive liquid asset balance:

- Continued growth in the CMO activities of Plasma Products based on investments made in 2013 and 2014;
- Further cost reduction measures, particularly in relation to hiring third parties;
- Further restriction of the investments programme;
- Financing of the compliance programme related to the FDA together with Shire;
- Continuation of the LSBR loan.

In the event of any setbacks, Sanquin can call on an available bank credit facility.
The accounting principles applied in the present annual accounts therefore assume the company's continuity.

1.3 Business Location

Sanquin is domiciled at Plesmanlaan 125, 1066 CX in Amsterdam.

1.4 Estimates

In order to be able to apply the principles 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.

1.5 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 principles of group companies and other legal entities included in the consolidation have been adapted where necessary to achieve consistency with the accounting principles used for the Group.

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%)

1.6 Application of Article 2:402 of the Dutch Civil Code

Since Sanquin Blood Supply Foundation's 2014 profit and loss account is included in the consolidated annual accounts, limited notes to the balance sheet and profit and loss account are included in the stand alone annual accounts.

1.7 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.

1.8 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.

2. General Accounting Principles

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 principles used are unchanged with respect to the previous financial year.

2.3 Foreign currency

Functional currency

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

Transactions, receivables and liabilities

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

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

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

2.4 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 principles for the valuation of assets and liabilities

3.1 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 3.3 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.

3.2 Financial fixed assets

3.2.1 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.

3.2.2 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.

3.2.3 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.

3.2.4 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.

3.3 Impairment 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.

3.4 Stocks

3.4.1 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.

3.4.2 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.

3.5 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.

3.6 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 short-term debts. Liquid assets are stated at face value.

3.7 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.

3.8 Provisions

3.8.1 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 stated otherwise.

3.8.2 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.

3.8.3 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.

3.9 Long-term debts

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 short-term debts.

4. Accounting principles for determining the result

4.1 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.

4.2 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

Revenues from the provision of services are 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.

4.3 Net turnover

Net turnover includes the revenues 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.

4.4 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.

4.5 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.

4.6 Employee benefits

4.6.1 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.

4.6.2 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.

4.6.3 Pensions

Sanquin utilises Pensioenfonds Zorg & Welzijn (pension fund for the healthcare and social welfare sector) 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 at 31 December 2014, the pension fund's funding ratio was 102% (source: website www.pfzw.nl dated 23 January 2015). 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.

4.7 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.

4.8 Financial income and expenses

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

4.9 Tax on result from ordinary business operations

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.

5. Financial Instruments and Risk Management

5.1 Market risk

5.1.1 General

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.

5.1.2 Price 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.

5.1.3 Currency 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.

5.1.4 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 short-term debts (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.

5.2 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.

5.3 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

6. 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 2014					
Acquisition prices or manufacturing costs	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**
Changes					
Investments	3,153	12,568	1,527	19,720	36,968
Changes	1,150	8,862	84	-10,096	0
Divestments	-8,319	-2,744	-5,172	0	-16,235
Change in depreciation		-1	1	0	0
Depreciation	-9,113	-15,897	-2,353	0	-27,363
Depreciation of divestments	8,319	2,744	5,172	0	16,235
Balance	**-4,810**	**5,531**	**-740**	**9,624**	**9,605**
Balance as at 31 December 2014					
Acquisition prices or manufacturing costs	133,947	203,007	24,111	50,078	411,143
Accumulated depreciation	-46,685	-139,996	-19,527	1	-206,207
Book values	**87,262**	**63,011**	**4,584**	**50,079**	**204,936**
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 14, Long-term debts for additional information).

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

The 2014 investments in tangible fixed assets that exceeded € 1.0 million were:

(x € million)	Investments in tangible fixed assets
Installations for Baxter for CMO production	7.9
Renovation of building U for Research	5.9
Acquisition of ICT transition hardware	2.2
Expansion/consolidation of warehouses	2.1
New vacuum freeze dryer for Plasma Products	1.4
Upgrade Plasma Products filling line	1.3

7. Financial fixed assets

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

	Deelnemingen	Totaal
(€ 000's)	€	€
Balance as at 1 January 2014	0	0
Investments	3,750	3,750
Result of participating interests	0	0
Divestments	0	0
Balance as at 31 December 2014	**3,750**	**3,750**

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 2014.

Sanquin is obliged to invest an additional € 0.7 million in Xenikos' share capital on the basis of future milestones in the development process of a new drug. Sanquin made an additional investment of € 0.7 million in Xenikos' share capital on this basis at the beginning of 2015. 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.

A € 3.75 million loan provided to the Slotervaart Medical Centre (MCS) is included under the financial fixed assets. MCS is a joint initiative of Sanquin, NKI-AVL, Slotervaartziekenhuis and Verpleeghuis Slotervaart van Cordaan, that operates the joint access roads and parking facilities. The loan was granted for the construction of a new parking garage completed in 2014 for use by the staff and visitors of the four institutions. The term of the loan is 10 years and will be paid off on a straight-line basis over a period of 10 years. The loan's interest rate is 4%.

8. Stocks

	31-12-2014	31-12-2013
(€ 000's)	€	€
Raw materials and consumables and semi-manufactures	103,237	110,080
Finished products and goods for resale	44,906	39,364
Contract manufacturing work in progress	12,802	10,020
	160,945	**159,464**

Stocks stayed virtually the same relative to 2013.

In valuing the stocks, a provision for obsolescence has been taken into account in the amount of € 7.6 million (2013: € 23.4 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.

9. Receivables

	31-12-2014	31-12-2013
(€ 000's)	€	€
Trade receivables	74,438	63,744
Taxes and social security contributions	6,814	6,811
Other receivables, prepayments and accrued income	9,087	12,142
	90,339	**82,697**

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

Trade receivables

	31-12-2014	31-12-2013
(€ 000's)	€	€
Trade receivables	74,976	64,473
Debit: provision for doubtful debts	-538	-729
	74,438	**63,744**

Taxes and social security contributions

	31-12-2014	31-12-2013
(€ 000's)	€	€
Turnover tax	6,185	6,216
Social security charges	629	595
	6,814	**6,811**

Other receivables, prepayments and accrued income

	31-12-2014	31-12-2013
(x € 1,000,-)	€	€
Security deposits	34	176
Prepaid expenses	2,970	2,775
Amounts to be received	6,675	9,191
	9,679	**12,142**

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

10. Liquid assets

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

	31-12-2014	31-12-2013
(€ 000's)	€	€
Cash	35	78
Bank balances	26,465	14,787
Deposits	9,285	59,077
	35,785	**73,942**

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

11. Group equity

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

12. Share of third parties

Changes in the share of third parties were as follows:

	31-12-2014	31-12-2013
(€ 000's)	€	€
Balance as at 1 January	19,483	19,281
Result for the financial year	-1,102	202
Balance as at 31 December	**18,381**	**19,483**

13. Provisions

	31-12-2014	31-12-2013
(€ 000's)	€	€
Employee provisions	7,276	8,609
Deferred tax liabilities	5,759	5,503
Other provisions	777	913
	13,812	**15,025**

Changes in the provisions are as follows:

(€ 000's)	Employee provisions €	Deferred taxes €	Other provisions €	Total €
Balance as at 1 January 2014	8,609	5,503	913	15,025
Allocation	2,829	256	0	3,085
Withdrawals	-4,034	0	-136	-4,170
Release	-128	0	0	-128
Balance as at 31 December 2014	**7,276**	**5,759**	**777**	**13,812**

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 € 4.0 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).

14. Long-term debts

(€ 000's)	Repayment value as at 2014 €	Repayment obligation 2015 €	Remaining term > 1 year €	Remaining term > 5 year €
Loans	45,858	20,000	25,858	0
Debts to credit institutions	13,573	1,423	12,150	0
Balance as at 31 December	**59,431**	**21,423**	**38,008**	**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 €20 million with a credit institution. No use was made of this facility in 2014.

Loans

This concerns a loan from Baxter in the amount of € 25.9 million to finance the process installations for the contract manufacturing operations 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 four loans from credit institutions for investments in the Belgian production facilities. An amount of € 0.7 million was repaid in 2014. In addition, an additional amount of € 7.5 million was recognised in 2014. The remaining term of the loans is 6-10 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.

15. Short-term debts

(€ 000's)	31-12-2014 €	31-12-2013 €
Repayment obligations	21,423	20,733
Debts to suppliers and trade credit	47,167	50,523
Research amounts received in advance	10,745	8,803
Salaries and holiday allowance	19,586	17,515
Taxes and social security contributions	1,198	14,092
Pension contributions	1,551	1,240
Other liabilities, accruals and deferred income	24,426	16,739
Balance as at 31 December	**126,096**	**129,645**

The short-term debts on balance decreased by € 3.5 million. A € 20.0 million loan from the Landsteiner Foundation for Blood Transfusion Research (LSBR) is included under the repayment obligations. The original term of this loan was up to September 2014. Negotiations are underway with the LSBR's Board concerning an extension of this loan. The interest rate on the outstanding amount is 4.75%. No securities have been provided for this loan.

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

16. Off-balance-sheet assets and commitments

As at the balance sheet date, Sanquin has entered into investment commitments totalling € 41.8 million. These are investments in new construction to expand the Plasma Products and Research divisions 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 € 2.3 million. The various leases have terms of between 1 and 5 years.

In particular for the vehicle fleet, lease contracts have been concluded with an annual financial obligation in the amount of € 0.5 million. The lease contracts have a maximum term of 5 years.
A number of contracting parties have been provided with bank guarantees totalling € 0.8 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

17. Net turnover

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

(€ 000's)	2014 €	2013 €
Netherlands	227,740	229,102
Abroad	190,965	164,273
	418,705	**393,375**

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

(€ 000's)	2014 €	2013 €
Blood Bank turnover	136,310	143,854
Plasma Products turnover	240,700	205,887
Diagnostic Services turnover	19,092	20,516
Reagents turnover	12,248	12,326
Research turnover	8,999	7,440
Turnover from other activities	1,356	3,352
	418,705	**393,375**

18. Wages and salaries

(€ 000's)	2014 €	2013 €
Wages and salaries	152,812	136,115
Social security charges	20,867	18,230
Pension charges	10,503	9,886
	184,182	**164,231**

The costs for wages, salaries, social charges and pension contributions increased by € 19.9 million in 2014. The key cause is the increase in the workforce at the Plasma Products Division related to the increase in turnover and the increased focus on quality-related aspects.

19. Average number of employees

During the year 2014, the company employed 2,859 people on average, based on full-time employment (2013: 2,676). 244 of these employees were working abroad (2013: 232).

20. Remuneration of the Executive Board

The total remuneration of the Executive Board, including pension contributions, was € 835. Of this € 346 was related to the Blood Bank's activities and € 489 was related to Sanquin's private activities. In 2013, the total remuneration of the Executive Board was € 759. The breakdown is as follows:

2014 (€ 000's)	Remuneration €	Pension Contributions €
H.M. le Clercq	75	0
A. van Os	220	15
H.J.C. de Wit	260	27
R.A.W. van Lier	216	22
2013		
A. van Os	215	23
H.J.C. de Wit	259	27
R.A.W. van Lier	213	22

In addition, the Foundation incurred staff costs related to a former member of the Executive Board who is still employed by Sanquin. The breakdown is as follows:

2014 (€ 000's)	Remuneration €	Pension Contributions €
T.J.F. Buunen	197	7
2013		
T.J.F. Buunen	276	31

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.

21. Remuneration of the Supervisory Board

The payment to the Supervisory Board was € 29 (2013: € 30) and can be specified as follows:

(€ 000's)	2014 €	2013 €
F.C. Breedveld*	15	11
Mw. K.T.V. Bergstein	0	0
M.J.W. Bontje	7	4
C.G. Figdor	0	0
A.K. Lahr	7	4
J.H. Schraven (to 1-7-2013)	0	7
B. Löwenberg (to 1-7-2013)*	0	4

* For some members of the Supervisory Board, Sanquin pays the remuneration directly to a charity or 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.

22. Depreciation of tangible fixed assets

(€ 000's)	2014 €	2013 €
Tangible fixed assets (Section 6)	27,363	25,244
	27,363	**25,244**

23. Other operating expenses

(€ 000's)	2014 €	2013 €
Other personnel expenses	12,846	12,326
Accommodation expenses	26,950	22,248
Donor expenses	3,450	2,817
Transport expenses	5,802	4,007
General expenses	84,368	68,911
	133,416	**106,184**

(€ 000's)	2014 €	2013 €
General expenses		
Maintenance costs	13,978	11,869
Costs of publicity	3,505	4,431
Travel, accommodation and representation expenses	3,623	3,611
Office costs	1,318	1,384
Communication costs	3,912	3,678
IT costs	25,015	19,071
Consulting/auditing fees	12,085	5,954
Costs of external services	9,457	6,804
Insurance and Taxes	2,640	2,982
Other expenses	8,835	5,002
	84,368	**68,911**

24. Auditor's fees

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

	2014	2013
(€ 000's)	€	€
Audit of the annual accounts	268	320
Other audit activities	15	14
Tax advice	0	0
Other non-audit services	0	0
	283	334

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).

25. Financial income and expenses

	2014	2013
(€ 000's)	€	€
Revenue from financial fixed assets	-814	-264
Interest income	341	955
Interest expenses	-1,239	-1,337
	-1,712	-646

26. Costs of research and development

The research and development costs charged to the result for 2014 amounted to € 32.5 million (2013: € 28.0 million).

27. 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. Due to the loss incurred in 2014, the tax expense reported in 2013 was reversed. Because the scope of the corporation tax levy is as yet uncertain, the actual tax expense over 2013 and 2014 may deviate from the tax expense reported in the annual accounts.

Stand Alone Annual Accounts 2014

Balance sheet as at 31 December 2014 (prior to profit appropriation)

		31 December 2014		31 December 2013	
(€ 000's)	Ref.	€	€	€	€
Assets					
Fixed assets					
Tangible fixed assets		179,613		170,079	
Financial fixed assets	29	22,478		19,761	
			202,091		189,840
Current assets					
Stocks		131,396		130,308	
Receivables	30	68,793		66,204	
Liquid assets	31	30,086		71,683	
			230,275		268,195
			432,366		458,035
Liabilities					
Equity	32				
Foundation capital		1,957		1,957	
Designated reserve	33	7,976		7,976	
Other reserves		306,076		289,146	
Result for the financial year		-16,542		16,930	
			299,467		316,009
Provisions	34		7,582		8,974
Long-term debts	35		25,858		25,200
Short-term debts	36		99,459		107,852
			432,366		458,035

Profit and loss account for 2014

	31 December 2014		31 December 2013	
(€ 000's)	€	€	€	€
Net turnover	363,738		342,412	
Change in stocks of finished products and work in progress	19,633		27,111	
Other operating income	20,034		9,659	
Total operating income		**403,405**		**379,182**
Costs of raw materials and consumables	122,309		97,752	
Wages and salaries	139,193		122,921	
Social security charges incl. pension	26,396		23,292	
Depreciation of tangible fixed assets	23,163		20,051	
Other operating expenses	113,250		91,624	
Total operating expenses		**424,311**		**355,640**
Operating result		**-20,906**		**23,542**
Revenue from tangible fixed assets		0		0
Revenue from financial fixed assets		0		0
Interest income		331		941
Interest expenses		-1,014		-1,086
Result from ordinary business operations before taxes		**-21,589**		**23,397**
Tax on result from ordinary business operations		6,707		-6,723
Result of participating interests		-1,660		256
Result after taxes		**-16,542**		**16,930**

Notes to the balance sheet and profit and loss account

28. General

The stand alone 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 stand alone annual accounts only contain the annual accounts under the Articles of Association of the Sanquin Blood Supply Foundation. In relation to the consolidated annual accounts, the revenues and costs of the majority participations in these annual accounts have not been included in the profit and loss account. Instead the results of the participating interests are recognised as a separate item in the profit and loss account.

The same accounting principles apply for the stand alone annual accounts as for the consolidated annual accounts. Participating interests in group companies are valued according to net asset value in line with Section 3.2.1 of the consolidated annual accounts.

See the notes to the consolidated balance sheet and profit and loss account for the accounting principles for the valuation of assets and liabilities and for the determination of the result.

29. Financial fixed assets

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

	Participating interests in group companies	Total
(€ 000's)	€	€
Balance as at 1 January 2014	19,761	19,761
Investments		
Result of participating interests	-1,660	-1,660
Write-down	627	627
Loans	3,750	3,750
Balance as at 31 December 2014	**22,478**	**22,478**

List of participating interests

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

Fully consolidated
(included in the consolidated annual accounts)

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

Other capital interests that do not qualify as participating interests

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

A € 3.75 million loan provided to the Slotervaart Medical Centre (MCS) is included under the financial fixed assets. MCS is a joint initiative of Sanquin, NKI-AVL, Slotervaartziekenhuis and Verpleeghuis Slotervaart van Cordaan, that operates the joint access roads and parking facilities. The loan was granted for the construction of a new parking garage completed in 2014 for use by the staff and visitors of the four institutions. The term of the loan is 10 years and will be paid off on a straight-line basis over a period of 10 years. The loan's interest rate is 4%.

30. Receivables

	31-12-2014	31-12-2013
(€ 000's)	€	€
Debtors	55,877	49,847
Taxes and social security contributions	5,217	6,125
Other receivables, prepayments and accrued income	7,699	10,232
	68,793	66,204

31. Liquid assets

(€ 000's)	31-12-2014 €	31-12-2013 €
Cash	36	78
Bank balances	25,715	14,128
Deposits	4,335	57,477
	30,086	**71,683**

32. Equity

(€ 000's)	Foundation capital €	Designated reserve €	Other reserves €	Result for the financial year €	Total €
Balance as at 1 January 2014	1,957	7,976	289,146	16,930	316,009
Changes					
Result for the current financial year	0	0	0	-16,542	-16,542
Profit appropriation	0	0	16,930	-16,930	0
Other changes in the reserves	0	0	0	0	0
Balance as at 31 December 2014	**1,957**	**7,976**	**306,076**	**-16,542**	**299,467**

33. 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 to ensure that the funds received for this purpose would remain available for development projects.

34. Provisions

(€ 000's)	31-12-2014 €	31-12-2013 €
Employee provisions	7,582	8,974
	7,582	**8,974**

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

35. Long-term debts

(€ 000's)	Repayment value as at 31-12-2014 €	Repayment obligation 2015 €	Remaining term > 1 year €	Remaining term > 5 year €
Loans	45,858	20,000	25,858	0
Debts to credit institutions	0	0	0	0
	45,858	**20,000**	**25,858**	**0**

36. Short-term debts

(€ 000's)	31-12-2014 €	31-12-2013 €
Salaries and holiday allowance	17,082	15,083
Debts to suppliers and trade credit	35,334	41,391
Taxes and social security contributions	776	13,984
Pension contributions	1,463	1,190
Research amounts received in advance	10,745	8,803
Repayment obligations	20,000	20,000
Other liabilities, accruals and deferred income	14,059	7,401
	99,459	**107,852**

37. Average number of employees

During the year 2014, the company employed 2,615 people on average, based on full-time employment (2013: 2,444).

38. 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, 28 May 2015

Sanquin Blood Supply Foundation

Executive Board
M. le Clercq MSc (Chairman)
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 include the result after tax of € 16.5 million in the general reserve.

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. The standard figures for the purpose of the WNT for members of the Sanquin Executive Board are set at 230,474, and for members of the Supervisory Board at 5% of the maximum remuneration or 11,524, with the exception of the chairman, for whom the standard figure is set at 7.5% of the maximum remuneration, or 17,286.

Remuneration of the members of the Executive Board

	2014	2013
Name: H.M. le Clercq Position: Chairman of the Executive Board		
Term of employment	1 June to 31 December	
Working hours	24 hours	
Remuneration	74,962	
Taxable fixed and variable expense allowance	0	
Provisions for remuneration payable over time	0	
Total remuneration as defined in the WNT	74,962	

	2014	2013
Name: H.J.C. de Wit Position: Vice-chairman of the Executive Board		
Term of employment	1 January to 31 December	1 January to 31 December
Working hours	36 hours	36 hours
Remuneration	240,262	238,687
Taxable fixed and variable expense allowance	19,920	19,920
Provisions for remuneration payable over time	27,163	26,610
Total remuneration as defined in the WNT	287,345	285,217

Rationale for exceeding the remuneration standard: The employment contract with Mr De Wit was negotiated before the WNT came into effect. No standard applied with respect to the remuneration of directors at that time. 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.

	2014	2013
Name: R.A.W. van Lier Position: Member of the Executive Board		
Term of employment	1 January to 31 December	1 January to 31 December
Working hours	36 hours	36 hours
Remuneration	203,204	200,773
Taxable fixed and variable expense allowance	12,500	12,500
Provisions for remuneration payable over time	22,472	22,011
Total remuneration as defined in the WNT	238,176	235,284

Rationale for exceeding the remuneration standard: The employment contract with Mr Van Lier was negotiated before the WNT came into effect. No standard applied with respect to the remuneration of directors at that time. 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

	2014	2013
Name: A. van Os Position: Former Chairman of the Executive Board		
Term of employment	1 January to 31 August	1 January to 31 December
Working hours	36 hours	36 hours
Remuneration	214,748	207,452
Taxable fixed and variable expense allowance	5,000	7,500
Provisions for remuneration payable over time	15,424	22,663
Total remuneration as defined in the WNT	235,172	237,615

Rationale for exceeding the remuneration standard: The employment contract with Mr Van Os was negotiated before the WNT came into effect. No standard applied with respect to the remuneration of directors at that time. The contractual agreements formulated at the time are being respected. In accordance with the WNT, the remuneration in 2014 includes a severance payment of € 75,000 in relation to the termination of the employment contract.The statutory transition rule includes a provision for exceeding the remuneration standard and this is therefore permitted under the WNT.

	2014	2013
Name: T.J.F. Buunen Position: Former Chairman of the Executive Board		
Term of employment	1 January to 19 March	1 January to 31 December
Working hours	36 hours	36 hours
Remuneration	196,857	276,260
Taxable fixed and variable expense allowance	0	0
Provisions for remuneration payable over time	6,852	30,874
Total remuneration as defined in the WNT	203,709	307,134

Rationale for exceeding the remuneration standard: The employment contract with Mr Buunen was negotiated before the WNT came into effect. No standard applied with respect to the remuneration of directors at that time. The contractual agreements formulated at the time are being respected. The remuneration in 2014 concerns a settlement for leave days not taken as of the date of termination of the employment, and also includes an anniversary benefit in connection with Mr Buunen's 25 years of service. 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

	2014	2013
Name: F.C. Breedveld Position: Chairman of the Supervisory Board		
Term of employment	1 January to 31 December	1 January to 31 December
Working hours	N/A	N/A
Remuneration*	14,521	10,891
Taxable fixed and variable expense allowance	0	0
Social security contributions	0	0
Provisions for remuneration payable over time	0	0
Total remuneration as defined in the WNT	14,521	10,891
Rationale for exceeding the remuneration standard:	N/A	N/A

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

	2014	2013
Name: K.T.V. Bergstein Position: Member of the Supervisory Board		
Term of employment	1 January to 31 December	1 September to 31 December
Working hours	N/A	N/A
Remuneration*	0	0
Taxable fixed and variable expense allowance	0	0
Social security contributions	0	0
Provisions for remuneration payable over time	0	0
Total remuneration as defined in the WNT	0	0
Rationale for exceeding the remuneration standard:	N/A	N/A

* In 2014, Ms Bergstein waived her remuneration.

	2014	2013
Name: M.J.W. Bontje Position: Member of the Supervisory Board		
Term of employment	1 January to 31 December	1 June to 31 December
Working hours	N/A	N/A
Remuneration	7,260	4,235
Taxable fixed and variable expense allowance	0	0
Social security contributions	0	0
Provisions for remuneration payable over time	0	0
Total remuneration as defined in the WNT	7,260	4,235
Rationale for exceeding the remuneration standard:	N/A	N/A

	2014	2013
Name: A.K. Lahr Position: Member of the Supervisory Board		
Term of employment	1 January to 31 December	1 July to 31 December
Working hours	N/A	N/A
Remuneration	7,260	3,630
Taxable fixed and variable expense allowance	0	0
Social security contributions	0	0
Provisions for remuneration payable over time	0	0
Total remuneration as defined in the WNT	7,260	3,630
Rationale for exceeding the remuneration standard:	N/A	N/A

	2014	2013
Name: C.G. Figdor Position: Member of the Supervisory Board		
Term of employment	1 January to 31 December	1 July to 31 December
Working hours	N/A	N/A
Remuneration*	0	0
Taxable fixed and variable expense allowance	0	0
Social security contributions	0	0
Provisions for remuneration payable over time	0	0
Total remuneration as defined in the WNT	0	0
Rationale for exceeding the remuneration standard:	N/A	N/A

* In 2014, Prof Figdor waived his remuneration.

	2014	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		0
Social security contributions		0
Provisions for remuneration payable over time		0
Total remuneration as defined in the WNT		7,260
Rationale for exceeding the remuneration standard:		N/A

	2014	2013
Name: B. Löwenberg Position: Lid Raad van Toezicht		
Term of employment		1 January to 30 June
Working hours		N/A
Remuneration*		3,630
Taxable fixed and variable expense allowance		0
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

	2014
Position: Manager Blood Bank	
Term of employment	1 January to 31 October
Working hours	36 hours
Remuneration	271,743
Taxable fixed and variable expense allowance	0
Provisions for remuneration payable over time	4,424
Total remuneration as defined in the WNT	276,167

Rationale for exceeding the remuneration standard: In 2014, 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.

	2014
Position: Manager Blood Bank	
Term of employment	1 January to 31 July
Working hours	36 hours
Remuneration	223,971
Taxable fixed and variable expense allowance	0
Social security contributions	0
Provisions for remuneration payable over time	8,846
Total remuneration as defined in the WNT	232,817

Rationale for exceeding the remuneration standard: In 2014, 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.

Independent auditor's report

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

Report on the financial statements

We have audited the accompanying financial statements 2014 of Sanquin Blood Supply Foundation, Amsterdam, which comprise the consolidated and company balance sheet as at 31 December 2014, the consolidated and company profit and loss account for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Executive Board's responsibility

The Executive Board is responsible for the preparation and fair presentation of these financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code and with the rules of and following 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 the Executive Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements 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 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 judgement, 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 company's preparation, 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 company's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Sanquin Blood Supply Foundation as at 31 December 2014, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code and the rules of and following 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 Executive Board's 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 Executive Board's report, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Amsterdam, 9 June 2015

PricewaterhouseCoopers Accountants N.V.

Original has been signed by A.J.M. Loogman RA

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