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PROPERTY W.V. (403224)

Novagraaf

PP European IP Management B.V.

Annual Report 2018



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PP European IP Management B.V., Amsterdam.
All amounts are stated in EUR000 unless indicated otherwise

Annual accounts 2018

- Management board's report
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Management board's report

State of affairs during the financial year

The Novagraaf Group, as The Group, has offices in France, the Netherlands, Switzerland, the United Kingdom, Belgium. Outside Europe Novagraaf operates business activities in China, Japan and US (East and West). The main activities of the group are IP management and consultancy services, filing, prosecution, protection and enforcement of trademarks, patents, copyrights and domain-names on a global scale. The group has a leading position in Europe and is the largest international trademark filer in the world. Novagraaf services more than 20.000 customers worldwide. The key objective for the Group is to further expand the business by organic growth, partnerships and acquisitions.

The Group has its statutory seat in Amsterdam. In Europe The Group is structured via four main geographical areas (Benelux, France, Switzerland and United Kingdom). The Group aims to be a leading integrated European IP firm delivering internationally technology enabled, high quality IP services.

On January 30, 2017 all the Novagraaf Group B.V. shares were acquired by Paragon Partner GmbH via the holding company PP European IP Management B.V.. At the same date PP European IP Management BV entered into a new Facility Agreement with ABN AMRO and NIBC with a 5 year commitment to fund part of the transaction. The other part (more than 50%) of the transaction was funded by Equity from Paragon Partners.

On July 30, 2017 Mitsui & Co a Japanese Conglomerate became a strategic minority shareholder of PP European IP Management B.V. and purchased 10% of the preference shares of Paragon Partners. Mitsui & Co intends with Novagraaf to build a strategic position in the Global IP space with a strong foothold in the Japanese IP market which is still the second largest IP market in the world.

During the year under review the Board of Management decided to change the current IFRS accounting principles and to adopt NL Gaap accounting principles as of annual report for the period ending 31 December 2018. The application of NL GAAP will be retrospectively from the foundation date of the company, 21 december 2016. In preparation of the GAAP conversion, management has performed a GAAP difference analysis between IFRS and NL GAAP on accounting topics that are relevant for the Group. The main adjustments under NL GAAP are depreciation of Goodwill, capitalization of acquisition costs, reclassification of Customer Relationships from Other Intangible Assets to Goodwill, Swiss pension plan recorded as defined contribution plan and deferred taxes relating to these differences.

During the year 2018 the company generated a top line growth of 15%. The Business Line Patents showed a top line increase of almost 40% and the Business Line Trademarks showed a decline of 2%. Market positions in the key operating area's in Europe remained stable and commercial activities were strongly increased in US, China and Japan with local sales teams and offices in Washington, Hong Kong and Tokyo. The commercial investments in international expansion are the key reason for the strong growth over the year 2018 which is highly recurring for the coming years.

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The EBITDA for the full year 2018 ended at € 9.9M (Negative operating result of €0.8M excluding amortization €6.2M, depreciation €1.1M, one offs €2.7M and other €0.7M). Compared to the previous year this is a growth of €0.6M mainly as a result of ongoing investments in the international expansion that show a solid increase of sales. Total Gross margin ended at 47.8% versus 53.6%. This margin% decrease is due to the changed sales mix driven by an increase in sales with lower margin mainly coming from the growth of our patent annuity business.

The solvability decreased from 33% on December 31st, 2017 to 30% on December 31st, 2018.

Personnel

The total number of personnel at the end of the year was 283.

Investments

During 2018 the Group invested € 3.1M in goodwill related to business combinations, € 1.1M in product development and € 1.1M in Tangible fixed assets. The majority of the €2.2M relates to investments in IT software, especially the continuous development of the EasyIP platform and several other strategic IT projects. During the year 2018 Novagraaf acquired a London based software firm called NovumIP. This firm developed an IP management solution build on Salesforce.com technology for large IP owners to manage their IP assets. Most of the research and innovation within the organisation is steered towards new software solutions jointly developed with external partners the internal IT organisation and now also strengthened by the NovumIP team. NovumIP developed a new annuity portal for our patent business based on Force.com technology. Also other tools and platforms will be build with Force.com and this has become one of the leading platform technologies within the Group. This year an extensive IT Roadmap was launched that covers all business IT projects for the coming years.

Financing

During the year 2018 the company was in full compliance with the bank covenants. Per January 30, 2017 Novagraaf entered into a new Facility agreement of €47.5M with ABN AMRO and NIBC as part of the acquisition of the entire Novagraaf Group by Paragon Partners GmbH.

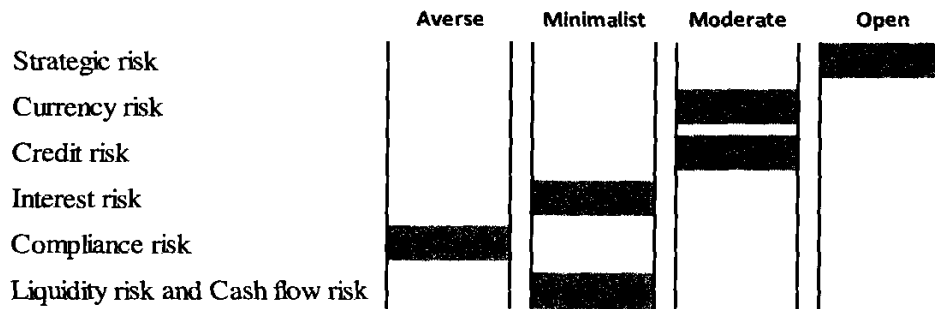
Risk Management

The Group is continuously managing its key risk positions by direct and frequent management meetings with all operational units within the organization and by implementing a strict way of management reporting. All relevant topics are addressed in these meetings with the different management layers. The Group wants to build harmonized platforms for all its activities which enables the Group to perform services on the highest quality level as needed to limit risk as much as possible. The new operating model that was established in 2017 has now been fully adopted by the

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organisation with a strong focus on the two Lines of Business Patents and Trademarks supported by IP services and steered by a Group Management Team that is represented by all relevant stakeholders in the organisation.

Risk Appetite 2018



Strategic risk

The Group developed a long term business plan for the period 2017 – 2021 which reflects the ambition and aspiration of the whole Group. During 2018 the Strategic planning was further enhanced with an IT Roadmap to manage and monitor intensively all the strategic Business IT projects. The IT Roadmap consists of more than 15 dedicated projects supported by a wide variety of Novagraaf employees which all have adopted an agile way of working. The IP market is becoming more competitive due to many new market dynamics. Novagraaf is well equipped to manage these new market dynamics by continuous investing in the organisation and in the skillset of its people combined with the enhanced technology enabled delivery model. The Group is governed by a professional Supervisory Board with experienced Board members that does regular monitoring of the execution of the strategic plans at all levels.

Finance and Interest risk

The company entered into a new interest rate cap mid 2017 after the refinancing on January 30, 2017, a minimum of 50% of the interest exposure will be hedged. The new senior Credit Facility of €47.5 million provides sufficient funding for the business plan and the growth ambitions for the period 2017-2022. To bridge seasonality fluctuations in the overall cash flow the Company also has the availability of a Revolver Credit Facility of €4 million.

Currency risk

A large part of the USD exposure was not hedged during 2018 as the balance between USD payables exceeded the USD receivables which impacted the results negatively by EUR 0.3 million due to a decrease of EUR versus USD. Since 2011 the company operates under a Group wide insurance policy that covers the whole Novagraaf portfolio with one insurance policy for all entities. This insurance policy was extended for the year 2019. By centralizing risk management the Group has a closer watch on risk and the monitoring of risk management procedures.

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Liquidity and cash flow risk

The company has sufficient positive operational cash flows. Additional to that the new Credit Facility provides liquidity support with an RCF facility of €4 million to bridge any forthcoming seasonality swings in working capital.

Interest rate risk

The policy in respect of interest rate risk is aimed at mitigating the interest rate risks originating from the financing of the group and optimizing the net interest expenses at the same time. The company entered into a new interest rate cap mid 2017 after the refinancing on January 30, 2017, a minimum of 50% of the interest exposure will be hedged.

Credit risk

The group mitigates the credit risk through credit limits for each financial institution and debtors by exclusively engaging financial institutions and debtors with a high creditworthiness. No significant concentrations of credit risk existed as at balance sheet date.

Outlook

After significant investments in the commercial organisation and international expansion we see the return in 2018 with strong top line growth coming from Japan, China and US. The commercial investments have generated a strong pipeline of new clients and prospects and we believe that this growth strategy will prove to continue to be very successful. Therefore we continue to strengthen our commercial capabilities in and outside Europe. Introducing account management within the existing organisation will be an important area for development to secure that existing clients get the best possible attention and service.

EBITDA performance will show further improvements in 2019 supported by the continued sales growth and improved margin due to efficient procurement efforts.

With EasyIP and NovumIP becoming the key IT platforms for our customer interaction we believe that Novagraaf is building a true IP Platform that differentiates from many existing offerings. These Novagraaf solutions can connect to any other IP database which makes it very easy for clients to use the Novagraaf services without complex data and system migrations.

Also the use of modern technology has increased and will increase further. The official offices will implement modern features like digital certificates instead of physical certificates. Also the competitors will use modern technology to build platforms for customers and agents. These developments are considered as an opportunity and Novagraaf will continue to invest further in technological solutions, such as EasyIP, to stay ahead of the market and to serve the customers better.

People will be a key area of attention the coming years. Hence we will run an intensive recruitment program for many different roles. Not only we want to attract more IP professionals, also process and IT skilled people are required to support the growth of this organisation. The increased scarcity of skilled employees due to the an increasing competitive labour market puts pressure on the organisation when there is a need for a growing workforce. Our clients are demanding more efficient and transparent services which puts a high pressure on our organisation. More efficient handling and

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automation is needed to manage clients needs adequately and to free time for supporting clients on areas where the added value is truly needed.

Novagraaf is well equipped to deal with this transformation due to its size and ambition to invest in people and technology.

Market conditions in Europe will remain rather stable with some uncertainties around the Brexit both from a regulations and market activity point of view. However the competitive playing field is changing. We see less competition from the traditional players in the market while new IP service providers with more focus on Technology are entering the market more successfully. Globalisation and Technology are key dynamics in this changing IP environment and we foresee more consolidation in the IP market space. Novagraaf is ready to play an important role in this market transformation and consolidation process.

Amsterdam, September 6, 2019

Dr. K. von Moeller

M. Moser

PP European IP Management B.V., Amsterdam.
All amounts are stated in EUR000 unless indicated otherwise

Financial statements

- Consolidated financial statements
- Company-only financial statements

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All amounts are stated in EUR000 unless indicated otherwise

Consolidated financial statements

- Consolidated balance sheet as at December 31, 2018
- Consolidated profit and loss account 2018
- Consolidated cash flow statement 2018
- Statement of changes in equity of the legal entity over 2018
- Notes to the consolidated financial statements

Consolidated balance sheet as at December 31, 2018

(before result appropriation)	Note	31.12.2018 EUR	31.12.2017 EUR
Assets			
Fixed assets			
Intangible fixed assets	1	96,712	98,718
Tangible fixed assets	2	2,809	2,880
Financial fixed assets	3	559	522
		100,080	102,120
Current assets			
Receivables, prepayments and accrued income	4	24,124	21,681
Cash	5	3,054	2,250
		27,178	23,931
		127,258	126,051
Equity and liabilities			
Group equity	6	38,475	42,130
Provisions	7	2,692	3,220
Long-term liabilities	8	53,249	54,324
Current liabilities, accruals and deferred income	9	32,842	26,377
		88,783	83,921
		127,258	126,051

PP European IP Management B.V., Amsterdam.
All amounts are stated in EUR000 unless indicated otherwise

Consolidated profit and loss account 2018

	Note	2018 EUR	21-12-2016 - 31-12-2017 EUR
Net turnover	10	84,459	68,089
External charges	11	<u>(44,555)</u>	<u>(31,215)</u>
Gross margin		39,904	36,874
Salaries and wages	12	(17,955)	(16,447)
Social security charges	12	(5,235)	(5,088)
Amortisation of intangible fixed assets	13	(6,227)	(5,045)
Depreciation of tangible fixed assets	13	(1,128)	(984)
Other operating expenses	14	<u>(10,174)</u>	<u>(7,441)</u>
Total expenses		<u>(40,719)</u>	<u>(35,005)</u>
Operating result		(815)	1,869
Share in result of non-consolidated associated companies			
Financial income and expense	15	<u>(2,937)</u>	<u>(2,641)</u>
Result before taxation		(3,752)	(772)
Taxation	16	24	(476)
Result of the legal entity		<u>(3,728)</u>	<u>(1,248)</u>

Consolidated cash flow statement 2018

	2018	21-12-2016- 31-12-2017
	EUR	EUR
Operating result	(815)	1,869
Adjustments for:		
- Depreciation (and other changes in value)	1,128	984
- Amortisation (and other changes in value)	6,227	5,045
- Changes in provisions	(34)	165
- Changes in working capital:		
- movements trade receivables	(508)	(16,299)
- movements prepayments	(1,935)	(5,382)
- movements operating accounts payable	6,299	20,478
	3,856	(1,203)
Cash flow from business activities	10,362	6,860
Interest	(1,933)	(1,782)
Finance costs recognised	(238)	(241)
Foreign exchange results	63	(97)
Dividends received	-	-
Corporate income tax paid on operating activities	(733)	(517)
	(2,841)	(2,637)
Cash flow from operating activities	7,521	4,223
Investments in tangible fixed assets	(1,055)	(1,879)
Disposals of tangible fixed assets	3	-
Acquisitions of group companies	(3,088)	(102,798)
Investments in other intangible fixed assets	(1,128)	-
Movement in other financial fixed assets	(38)	(258)
Cash flow from investment activities	(5,306)	(104,935)
Movement current accounts payable to banks	(70)	3,427
Income from issuance of share capital	-	43,488
Income from long-term liabilities	1,000	60,402
Redemptions of long-term liabilities	(2,500)	(4,500)
Other long term obligations	159	145
Dividends paid to shareholders of the company	-	-
Dividends paid to holders of minority interests	-	-
Cash flow from financing activities	(1,411)	102,962
Net cash flow	804	2,250
Cash and cash equivalents 1 January	2,250	-
Cash and cash equivalents 31 December	3,054	2,250

PP European IP Management B.V., Amsterdam.
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Statement of changes in equity of the legal entity over 2018

	2018	21-12-2016
	EUR	31-12-2017 EUR
Consolidated net result after taxation accruing to the legal entity	(3,728)	(1,248)
Increase share capital	-	10
Exchange rate differences foreign associated companies	(37)	(110)
	(37)	(110)
Total amount of the direct equity movements of the legal entity as part of the group equity	-	-
Total net result of the legal entity	(3,765)	(1,348)

Notes to the consolidated financial statements

General

Change in accounting principles

During the year under review the Board of Management decided to change the current IFRS accounting principles and to adopt NL Gaap accounting principles as of annual report for the period ending 31 December 2018. The application of NL GAAP will be retrospectively from the foundation date of the company, 21 december 2016. In preparation of the GAAP conversion, management has performed a GAAP difference analysis between IFRS and NL GAAP on accounting topics that are relevant for the Group. The main adjustments under NL GAAP are depreciation of Goodwill, capitalization of acquisition costs, reclassification of Customer Relationships from Other Intangible Assets to Goodwill, Swiss pension plan recorded as defined contribution plan and deferred taxes relating to these differences.

The Impact on the 2017 comparative figures can be summarized as follows;

	Annual Report 2017 final EUR	Annual Report 2018, comparative information EUR
Consolidated Group Equity	39,906	42,130
Consolidated Net Result	(953)	(1,248)

The Equity impact relates to the individual conversion differences (€376) and the conversion of a shareholders loan (€2.6M) into equity.

Activities

The activities of PP European IP Management B.V. (registration no 67525091), having its legal seat at Hoogoorddreef 5, Amsterdam, The Netherlands, and its group companies primarily consist of IP Management and Consultancy Services, filing, prosecution, protection and enforcement of trademarks, patents, copyrights and domain-names on a global scale. The group has a leading position in Europe and the objective is to further expand the business by organic growth and further acquisitions.

Definition of names:

PP European IP Management B.V is the holding company.

The Group and Novagraaf relate to the holding including its operating activities of Novagraaf Group B.V. and incorporated companies.

The Company relates to PP European IP Management B.V.

Group structure

PP European IP Management B.V. in Amsterdam, The Netherlands is the head of a group of legal entities. The Investments in group companies compromises the net balance of participating interests and receivables on group companies.

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PP European IP Management B.V. owns the following direct capital interests:

<u>Name</u>	<u>Location</u>	<u>Share in issued capital %</u>
Novagraaf Group B.V.	Amsterdam, the Netherlands	100.0

PP European IP Management B.V. owns the following indirect capital interests:

<u>Name</u>	<u>Location</u>	<u>Share in issued capital %</u>
Novagraaf IP-NL B.V.	Amsterdam, the Netherlands	100.0
Novagraaf Nederland B.V.	Amsterdam, the Netherlands	100.0
Novagraaf IP UK Ltd (04021839)	London, United Kingdom	100.0
J.E. Evans-Jackson & Co Ltd (02484420)	London, United Kingdom	100.0
QED Intellectual Property Ltd (00403229)	London, United Kingdom	100.0
NovumIP Ltd (03365223)	London, United Kingdom	100.0
Novum Global Strategies (09526046)	London, United Kingdom	100.0
Novagraaf KK	Tokyo, Japan	100.0
Novagraaf IP-F SA	Paris, France	100.0
Novagraaf Acquisitions France SAS	Paris, France	100.0
Marcada SARL	Paris, France	100.0
Novagraaf Europe B.V.	Paris, France	100.0
Novagraaf France SA	Paris, France	100.0
Novagraaf Technologies SA	Paris, France	100.0
Novagraaf Brevets SARL (economic ownership lies with the Novagraaf Group)	Paris, France	10.0
Novagraaf Belgium SA	Brussels, Belgium	100.0
Novagraaf International SA	Geneva, Switzerland	100.0
Novagraaf Switzerland SA	Geneva, Switzerland	100.0

The following UK group companies; JE Evans-Jackson & Co Limited (company number 02484420), NovumIP Limited (company number 03365223), QED Intellectual Property Limited (company number 00403229), Novagraaf IP UK Limited (company number 04021839) and Novum Global Strategies Limited (company number 09526046) are exempt from the requirement to audit its individual accounts in accordance with section 479A of the Companies Act 2006.

Incorporation and acquisitions

The Company was incorporated on December 21, 2016 as PP European IP Management B.V.. The company bought 100% of the shares of Novagraaf Group B.V. and its group companies at January 30, 2017. The prior year consolidated profit and loss statement shows the consolidated figures for the period 21 December 2016 until 31 December 2017 but the operating activities from the acquisition of Novagraaf Group BV relate to the period 1 February 2017 until 31 December 2017.

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Relationship with shareholders and principal activities

The Company is a private limited company and the funds are managed by the investment company PP European IP Holding GmbH. The Paragon Fund II GmbH & Co. KG is the ultimate controlling party. The shareholders are;

- 86,68% PP European IP Holding GmbH
- 6,17% Blade Management Cooperatief U.A.
- 7,15% Mitsui & Co Ltd.

Blade Management Cooperatief U.A. has issued share certificates which are held by management and key consultants.

The Company is a holding company; the principal activities of the group consist of advisory services regarding intellectual property rights.

Business combinations

The company acquired during 2018 "NovumIP software solution" and "Merkenbureau Heemskerk" through share transactions and/or asset transactions. These acquisitions have been recognised according to the purchase accounting method. Any excess consideration paid over and beyond the fair value of the shares and/or assets acquired at the moment of acquisition has been classified as goodwill.

The following table details the acquisitions of business combinations;

	Principal activity	Date of acquisition	Consideration transferred
NovumIP	IP software solutions	22/01/2018	1,353
Heemskerk	Trademarks	1/10/2018	200
Total			1,553

The following table details the consideration;

	<u>Heemskerk</u>	<u>NovumIP</u>
Initial consideration in cash	200	962
Contingent considerations	-	391
Total	200	1,353

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Consolidation principles

Financial information relating to group companies and other legal entities controlled by PP European IP Management B.V. or where central management is conducted, has been consolidated in the financial statements of PP European IP Management B.V.. The consolidated financial statements have been prepared in accordance with the accounting principles of PP European IP Management B.V..

The financial information relating to PP European IP Management B.V. is presented in the consolidated financial statements. Accordingly, in accordance with article 2:402 of the Netherlands Civil Code, the company-only financial statements only contain an abridged profit and loss account.

Financial information relating to the group companies and the other legal entities and companies included in the consolidation is fully included in the consolidated financial statements, eliminating the intercompany relationships and transactions

The results of newly acquired group companies and the other legal entities and companies included in the consolidation are consolidated as from the acquisition date. On that date the assets and liabilities acquired are measured at the fair values. If the acquisition price exceeds the fair values of the acquired assets and liabilities, this is goodwill, which is capitalised and amortised over the expected useful life.

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General accounting principles for the preparation of the consolidated financial statements

The consolidated financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code.

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention, unless presented otherwise.

Income and expenses are accounted for on accrual basis. Profit is only included when realised on balance sheet date. Liabilities and any losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Change of comparative figures

The equity of 2018 includes an amount of € 2.6 million relating to a shareholders loan, which was presented as a current liability in the prior year financial statements. The current liabilities and equity in the comparative figures in the balance sheet 2018 are adjusted for this amount.

Going concern

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2018. The capital structure of the Group consists of net debt (borrowings as detailed in notes 9 and offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 7).

The Group's management aims to maintain a strong and stable balance sheet. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital to shareholders.

No changes were made in the objectives, policies or processes during the year ended December 31, 2018.

Opinions, estimates and uncertainties

In the application of the Group's accounting policies, which are described below, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, including those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

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Financial Instruments

Financial instruments are both primary financial instruments (such as receivables and debts) and derivative financial instruments (derivatives).

The notes to the specific items of the balance sheet disclose the fair value of the related instrument if this deviates from the carrying amount. If the financial instrument is not recorded in the balance sheet, the information on the fair value is disclosed in the notes to the 'Non-recognised assets and liabilities and contingent assets and liabilities'.

Primary financial instruments

For the principles of primary financial instruments, reference is made to the recognition per balance sheet item of the 'Principles for the valuation of assets and liabilities'.

Derivative financial instruments

Upon first recognition, financial derivatives are recognised at fair value and then revalued at fair value as at balance sheet date. The profit or loss from the revaluation to fair value as at balance sheet date is recognised directly in the profit and loss account.

Translation of foreign currency

Receivables, liabilities and obligations denominated in foreign currency are translated at the exchange rates prevailing as at balance sheet date.

Transactions in foreign currency during the financial year are recognised in the financial statements at the exchange rates prevailing at transaction date. The exchange differences resulting from the translation as at balance sheet date, taking into account possible hedge transactions, are recorded in the profit and loss account.

Foreign group companies and non-consolidated associated companies outside the Netherlands qualify as carrying on of business operations in a foreign country, with a functional currency different from that of the company. For the translation of the financial statements of these foreign entities the balance sheet items are translated at the exchange rate as at balance sheet date and the profit and loss account items at the exchange rate at transaction date. The exchange rate differences that arise are directly deducted from or added to group equity and recognized in the translation differences reserve. This likewise applies to the translation differences on loans that form part of the net investment in the business operations abroad.

If business operations in a foreign country with a different functional currency than that of the company are disposed of, the cumulative translation differences are recognised in the profit and loss account as part of the result from the disposal of the business operations abroad.

Principles of valuation of assets and liabilities

Intangible fixed assets

Intangible fixed assets are presented at cost less accumulated amortisation and, if applicable, less impairments in value. Amortisation is charged as a fixed percentage of cost, as specified in more detail in the notes to the balance sheet. The expected useful life and the amortisation method are reassessed at the end of each financial year. For the development costs a statutory legal reserve (equity) is formed for the amount of the capitalised cost.

Tangible fixed assets

Tangible fixed assets are presented at cost less accumulated depreciation and, if applicable, less impairments in value. Depreciation is based on the expected future useful life and calculated as a fixed percentage of cost, taking into account any residual value. Depreciation is provided from the date an asset comes into use. Land is not depreciated.

Tangible fixed assets are capitalised if the economic ownership held by the company, and its group companies, is governed by a financial lease agreement. The commitment arising from the financial lease agreement is accounted for as a liability. The interest included in the future lease instalments is charged to the result over the term of the financial lease agreement.

Financial fixed assets

Where significant influence is exercised, associated companies are valued under the net asset value method, but not lower than a nil value. This net asset value is based on the same accounting principles as applied by PP European IP Management B.V..

Associated companies with a negative net equity value are valued at nil. This likewise takes into account other long-term interests that should effectively be considered as part of the net investment in the associated company. If the company fully or partly guarantees the liabilities of the associated company concerned, or has the effective obligation respectively, to enable the associated company to pay its (share of the) liabilities, a provision is formed. Upon determining this provision, provisions for doubtful debts already deducted from receivables from the associated company are taken into account.

Where no significant influence is exercised associated companies are valued at cost and if applicable less impairments in value.

Upon initial recognition the receivables on and loans to associated companies and other receivables are valued at fair value and then valued at amortised cost, after deduction of any provisions. These provisions are determined by individual assessment of the receivables.

Deferred tax assets are stated under the financial fixed assets if and to the extent it is probable that the tax claim can be realised in due course. These deferred tax assets are valued at nominal value and have a predominantly long-term character.

Current assets

The Company recognizes hours spent on the files in progress if this can be calculated reliably. The work in progress includes these hours and the related direct costs incurred less prepayments received from clients. All elements are presented on a net basis per case under prepayments and deferred income.

Receivables

Upon initial recognition the receivables are valued at fair value and then valued at amortised cost. Provisions deemed necessary for possible bad debt losses are deducted. These provisions are determined by individual assessment of the receivables.

Cash

The cash is valued at face value. If cash is not freely disposable, then this has been taken into account upon valuation.

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Provisions

Provisions for employee benefits

Pension plans personnel

The group have defined contribution pensions plans and defined benefit pension plans. The Dutch plans are financed through contributions to pension providers, i.e., insurance companies and industry pension funds. The foreign pension plans except the plans in France, can be compared to how the Dutch pension system has been designed and functions. The pension obligations of both the Dutch and the foreign plans are valued according to the 'valuation to pension fund approach'. This approach accounts for the contribution payable to the pension provider as an expense in the profit and loss account.

The retirement plan in France is Governmental related (Defined Contribution) but employees receive a lump sum amount when they retire based on the number of years worked for Novagraaf. This plan results in an obligation which is reported under balance sheet "retirement benefit obligation" as per 31 December.

As at year-end 2018 (and 2017) no pension receivables and no obligations existed for the group in addition to the payment of the annual contribution due to the pension provider.

Other deferred employee benefits

Other deferred employee benefits are those benefits that are part of the remuneration package, such as remunerations for anniversaries and temporary leave. They have a long-term character. The obligation recorded is the best estimate of the amounts required to settle the related obligations as at balance sheet date. The obligation is valued at present value. Discounting takes place at the market rate as at balance sheet date of high-quality corporate bonds.

Provision for deferred tax liabilities

For amounts of taxation payable in the future, due to differences between the valuation principles in the annual report and the valuation for taxation purposes of the appropriate balance sheet items, a provision has been formed for the aggregate of these differences, multiplied by the expected future rate of taxation to the extent such rate has been enacted. These provisions are reduced by amounts of taxation recoverable in the future in respect of the carry-forward of unused tax losses, to the extent that it is probable that future tax profits will be available for settlement. The provision for deferred tax liabilities is valued at nominal value.

Other provisions

Unless stated otherwise, the other provisions are valued at the face value of the expenditures that are expected to be necessary for settling the related obligations.

Long-term and short-term liabilities

Upon initial recognition, the loans and liabilities recorded are stated at fair value and then valued at amortised cost.

Principles for the determination of the result

Net-turnover

The Net-turnover relates to the amounts charged to clients for services provided excluding value added taxes and after discounts. Revenues from services are recognised in proportion to the services rendered, based on the cost incurred in respect of the services performed up to that moment, in proportion to the estimated costs of the aggregate services to be performed. The cost price of these services is allocated to the same period.

External charges

The external charges, such as invoices from agents and costs from external consultants, consist of the costs directly connected to the net revenue.

Taxation

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the financial statements and profit calculated for taxation purposes. Deferred tax assets are recognised only to the extent that realisation is probable.

Principles for preparation of the consolidated cash flow statement

The cash flow statement is prepared according to the indirect method.

The funds in the cash flow statement consist of cash and cash equivalents.

Cash flows in foreign currencies are translated at an estimated average rate. Exchange rate differences concerning finances are shown separately in the cash flow statement.

Corporate income taxes, issuance of share capital, interest received and dividends received are presented under the cash flow from operating activities. Interest paid and dividends paid are presented under the cash flow from financing activities.

The cost of group companies acquired is presented under the cash flow from investment activities, as far as payment has been made with cash and cash equivalents. The cash and cash equivalents of the group companies acquired are deducted from the purchase cost.

Transactions that do not result in exchange of cash and cash equivalents, such as financial lease, are not presented in the cash flow statement. The payments of the lease installments on account of the financial lease contract are presented as redemptions of debts for the redemption component and as paid interest for the interest component.

PP European IP Management B.V., Amsterdam.
All amounts are stated in EUR000 unless indicated otherwise

Notes to the specific items of the consolidated balance sheet

1) Intangible fixed assets

A summary of the movements of intangible fixed assets is given below:

	Brand Valuation	Technology	Develop- ment	Goodwill	Total
	EUR	EUR	EUR	EUR	EUR
Acquisition cost as at January 1, 2018	8,240	2,393	1,066	92,269	103,968
Cumulative amortisations and other impairment in value as at January 1, 2018	(378)	(439)	(204)	(4,229)	(5,250)
Carrying amount as at January 1, 2018	7,862	1,954	862	88,040	98,718
Investments	-	-	1,128	3,088	4,216
Amortisations	(412)	(478)	(435)	(4,902)	(6,227)
Other impairments in value and reversals thereof	-	-	-	-	-
Exchange rate differences	-	-	5	-	5
Carrying amount as at December 31, 2018	<u>7,450</u>	<u>1,476</u>	<u>1,560</u>	<u>86,226</u>	<u>96,712</u>
Acquisition/Manufacturing cost as at December 31, 2018	8,240	2,393	2,194	95,357	108,184
Cumulative amortisations and other impairment in value as at December 31, 2018	(790)	(917)	(634)	(9,131)	(11,472)
Carrying amount as at December 31, 2018	<u>7,450</u>	<u>1,476</u>	<u>1,560</u>	<u>86,226</u>	<u>96,712</u>
Amortisation percentages	<u>5 %</u>	<u>20 %</u>	<u>25-33%</u>	<u>5-10 %</u>	

Brand valuation

The Brand valuation relates to the tradename of Novagraaf, in place since the founding company's merger with Novamark in 2000 and is amortised over 20 years. The Novagraaf tradename is well-known in the market and is valuable to the business operations of Novagraaf, mainly since it is considered one of the top 5 service providers in the field of IP.

Technology

Novagraaf developed IT platform "Easy IP" and represents a web portal, which enables its clients to access and manage their Intellectual Property ("IP") portfolio. Clients have the possibility to perform analyses based on the insights presented on the EasyIP platform as well as outsource specific tasks and projects, such as the renewal of IP rights. EasyIP is rather unique in the IP market and well regarded by its clients and is amortised over 5 years.

Development cost

Development costs relate to product development for which a legal statutory reserve is formed for the amount of the capitalized cost.

Goodwill

Of the goodwill EUR 62,148 (2017: EUR 62,148) regards the acquisition of the shares in Novagraaf Group BV. The remaining life is 20 years.

PP European IP Management B.V., Amsterdam.
All amounts are stated in EUR000 unless indicated otherwise

2) Tangible fixed assets

The movements in the tangible fixed assets are as follows:

	Leasehold improvements	Office equipment	Computers	Software	Total
	EUR	EUR	EUR	EUR	EUR
Acquisition/Manufacturing cost as at January 1, 2018	827	2,160	916	4,955	8,858
Cumulative depreciation and other impairment in value as at January 1, 2018	(489)	(1,223)	(716)	(3,550)	(5,978)
Carrying amount as at January 1, 2018	338	937	200	1,405	2,880
Investments	6	42	98	909	1,055
Carrying amount of disposals	-	(1)	(2)	-	(3)
Depreciation	(113)	(238)	(104)	(673)	(1,128)
Other impairments in value and reversals thereof	-	-	-	-	-
Exchange rate differences	(1)	-	-	6	5
Carrying amount as at December 31, 2018	230	740	192	1,647	2,809
Acquisition/Manufacturing cost as at December 31, 2018	833	2,202	1,014	5,864	9,913
Cumulative depreciation and other impairment in value as at December 31, 2018	(603)	(1,462)	(822)	(4,217)	(7,104)
Carrying amount as at December 31, 2018	230	740	192	1,647	2,809
Depreciation percentages	20 %	33.3 %	15 %	20 %	

PP European IP Management B.V., Amsterdam.
All amounts are stated in EUR000 unless indicated otherwise

3) Financial fixed assets

A summary of the movements in the financial fixed assets is given below:

	Rental deposits	Derivatives	Loans	Other	Total
	EUR	EUR	EUR	EUR	EUR
Carrying value as at January 1, 2018	275	58	175	13	521
Movements:					
Additions	42	-	10	45	97
Received	(9)	-	-	-	(9)
Reductions	-	(50)	-	-	(50)
Exchange rate differences	-	-	-	-	-
Carrying value as at December 31, 2018	<u>308</u>	<u>8</u>	<u>185</u>	<u>58</u>	<u>559</u>
Accumulated impairments in value as at December 31, 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accumulated unrealised revaluation as at December 31, 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Rental Deposits mainly relate to long-term deposits for ongoing rental agreements.

Derivatives relate to an interest rate caps at ABNAMRO and NIBC with a cap rates of 0.25% p.a. respectively 0.50% p.a. on 3 months Euribor rate and matures on June 2020 and June 2021.

On 27th July 2017 loans of €175 to 5 Managers have been granted for the purpose of financing into the participation plan. An interest of 4% per year applies.

PP European IP Management B.V., Amsterdam.
All amounts are stated in EUR000 unless indicated otherwise

4) Receivables, prepayments and accrued income

Prepayments and accrued income have a term shorter than one year and can be specified as follows;

	31.12.2018		31.12.2017	
	Total	> 1 year	Total	> 1 year
	EUR	EUR	EUR	EUR
Trade receivables	16,807	639	16,299	615
Work in progress	4,522	-	3,655	-
Cash advances to National Trade offices	572	-	638	-
VAT	820	-	151	-
Corporate tax	134	-	-	-
Other prepayments and accrued income	1,269	-	938	-
	<u>24,124</u>	<u>639</u>	<u>21,681</u>	<u>615</u>

5) Cash

All balances are available at call, with the exception of bank guarantees provided for an amount of EUR 359 (2017:EUR 359) and a client blocked bank account of EUR 1 (2017:EUR 449). The bank credit balances have been reported as credit institutions as part of the current liabilities.

6) Group equity

Share of the legal entity in the group equity

For a detailed explanation to the share of the legal entity in the group equity reference is made to the notes to the shareholders' equity in the company-only financial statements.

7) Provisions

	31.12.2018	31.12.2017
	EUR	EUR
Employee benefits	573	584
Deferred tax liabilities	2,119	2,613
Other provisions	-	23
	<u>2,692</u>	<u>3,220</u>

The provision for employee benefits and the provision for deferred tax liabilities have a predominantly long-term character. The other provisions mainly relates to a litigation.

PP European IP Management B.V., Amsterdam.
All amounts are stated in EUR000 unless indicated otherwise

Employee benefits

The group has concluded a pension plan for any personnel working outside the Netherlands, which cannot be compared to how the Dutch pension system has been designed and functions. As at year-end 2018, the following provisions relating to employee benefits were included:

	31.12.2018	31.12.2017
	EUR	EUR
Pension provision	573	584
Other deferred employee benefits	-	-
	<u>573</u>	<u>584</u>

The Pension provision relates to a pension plan in France EUR 573 (2017 EUR: 584).

Deferred tax liabilities

The movement in the item provision for deferred tax liabilities is as follows:

	EUR
Carrying value as at January 1, 2018	2,613
Currency exchange differences	-
Release to P&L	(494)
Carrying value as at December 31, 2018	<u>2,119</u>

The release of the deferred tax liability is partly caused by lower future Corporate Income Tax rates.

Other provisions

The movements in the item other provisions is as follows:

	EUR
Carrying value as at January 1, 2018	23
Withdrawals	(23)
Currency exchange differences	-
Release	-
Carrying value as at December 31, 2018	<u>-</u>

PP European IP Management B.V., Amsterdam.
All amounts are stated in EUR000 unless indicated otherwise

8) Long-term liabilities

At 30 January, 2017 Novagraaf entered into a new Facility agreement of €47.5M, less prepaid loan fees of EUR 1.03M, with ABN AMRO and NIBC and a Shareholder loan of EUR 13.9M as part of the acquisition of the entire Novagraaf Group by Paragon Partners GmbH. The debts to credit institutions NIBC & ABN AMRO and shareholders can be specified as follows:

	<u>31.12.2018</u>		<u>31.12.2017</u>	
	Interest rate		Interest rate	
	EUR	%	EUR	%
Senior term facility	43,000	see below	45,500	see below
Loan fees	(726)	-	(885)	-
Shareholder loan	13.816	5,87	12,050	5,87
Short term < 1 year) part	(2.841)	-	(2.341)	-
	<u>53,249</u>		<u>54,324</u>	

Of the total amount concerning long-term liabilities an amount of EUR 41,309 (2017: EUR 39,458) has a remaining term of more than five years.

Below an overview of the Facilities per loan:

	Senior Term Facility	Shareholder Loan
Interest	Facility A: € 20,000: EURIBOR + 3.75% cash margin) Facility B: € 27,500: EURIBOR + 4.25% cash margin)	Facility A: € 11,432 : 5,87% PIK
Special conditions	Facility A: to amortize in semi-annual instalments until maturity date January 31, 2022 Facility B: to be re-paid in one single instalments on final maturity date January 31, 2024	PIK interest capitalized and added to the principal amount of the Facility. Maturity date: A: December 31, 2024

On January 30, 2017 a shareholder loan of € 11,432 was received from shareholders. The loan is subordinated to the Senior Term Facility. The Senior Term Facility and the Revolving Credit Facility are together referred to as the "Senior Facilities".

The majority of the assets € 127,258 have been pledged as security for the Senior Facilities and the Mezzanine Loan.

PP European IP Management B.V., Amsterdam.
All amounts are stated in EUR000 unless indicated otherwise

9) Current liabilities, accruals and deferred income

	31.12.2018	31.12.2017
	EUR	EUR
Current portion of long-term liabilities	2,841	2,341
Banks	3,358	3,427
Work in progress	5,607	3,535
Current tax liabilities	-	130
Accounts payable	13,035	10,283
Wages related payables	2,314	2,098
Taxes and social security charges	3,008	2,012
Accrued interest	-	4
Pension liabilities	65	52
Other liabilities, accruals and deferred income	2,614	2,495
	<u>32,842</u>	<u>26,377</u>

Social insurance contributions and taxes

This item includes social insurance contributions, payroll taxes and VAT payable.

Financial instruments

For the notes on financial instruments reference is made to the specific item by item note. The group's policy in respect of financial risks is included below. In addition, the financial derivatives of the group and the related risks are disclosed.

- General

The main financial risks the group is exposed to are the currency risk, the interest rate risk, the liquidity risk and the credit risk. The group's financial policy is aimed at mitigating the impact of currency and interest rate fluctuations on the result in the short term and to follow the market exchange rates and market interest rates in the long term. The group uses financial derivatives to control financial risks linked to business operations at control. By using financial derivatives the group takes no speculative positions.

- Currency risk

A large part of the USD exposure was not hedged during 2018 as the balance between USD payables exceeded the USD receivables which impacted the results negatively by EUR 0.3 million due to a decrease of EUR versus USD. Since 2011 the company operates under a Group wide insurance policy that covers the whole Novagraaf portfolio with one insurance policy for all entities. This insurance policy was extended for the year 2019. By centralizing risk management the Group has a closer watch on risk and the monitoring of risk management procedures.

- Interest rate risk

The policy in respect of interest rate risk is aimed at mitigating the interest rate risks originating from the financing of the group and optimizing the net interest expenses at the same time. The company entered into a new interest rate cap mid 2017 after the refinancing on January 30, 2017, a minimum of 50% of the interest exposure will be hedged.

PP European IP Management B.V., Amsterdam.
All amounts are stated in EUR000 unless indicated otherwise

Interest rate risk table with regard to financing by PP European IP Management B.V.	Increase/ decrease in basis points	Effect on profit before tax
		€ * 1,000
Euro	+15	87
Euro	+20	116
Euro	-15	(87)
Euro	-20	(116)

- Liquidity risk and cash flow risk

The company has sufficient positive operational cash flows. The group has a committed credit facility of EUR 4,000 (2017: EUR 4,000). The agreements on the committed credit facility neither include financial covenants nor adjustment clauses in the event of substantial negative changes.

- Credit risk

The group mitigates the credit risk through credit limits for each financial institution and debtors by exclusively engaging financial institutions and debtors with a high creditworthiness. No significant concentrations of credit risk existed as at balance sheet date.

Non-recognised assets and liabilities and contingent assets and liabilities

As at December 31, 2018 the Company has the following commitments:

	Total	Short < 1 year	Between 2 and 5 years	Over 5 years	Expensed current year
	EUR	EUR	EUR	EUR	EUR
Operational leases	575	251	325	-	280
Office Rent	6,451	2,174	4,238	39	2,041
	<u>7,027</u>	<u>2,425</u>	<u>4,563</u>	<u>39</u>	<u>2,321</u>

In addition the group has provided bank guarantees to an amount of € 359.

During the normal course of business claims may arise, for which the Company has taken out insurance policies.

PP European IP Management B.V., Amsterdam.
All amounts are stated in EUR000 unless indicated otherwise

Notes to the specific items of the consolidated profit and loss account

10) Net turnover

The net turnover comprises the following revenue categories:

	2018	2017
	€	€
Trademarks	46,672	43,944
Patents	36,077	24,145
Other revenue	1,710	-
	<u>84,459</u>	<u>68,089</u>

The net turnover is measured at the fair value of the consideration received or receivable. All revenues of Novagraaf relate to rendering of services. No revenues are realized from sales of goods nor construction contracts.

11) External charges

The External charges consists of invoices from agent, costs from external consultants and fees & taxes paid to official local government institutes. These charges are directly connected with the revenue.

12) Wages, salaries and social security charges

	2018	2017
	EUR	EUR
Wages and salaries	17,955	16,447
Social security charges	5,235	5,088
	<u>23,190</u>	<u>21,535</u>

Included in the social security charges for 2018 is an amount of EUR 1,412 (2017: EUR 1,231) with respect to pension costs.

The average number of employees of the group during the year, converted to full-time equivalents and broken down by activity, was as follows:

	2018	2017
Consultants	76	75
Direct support staff	148	163
Other	59	56
	<u>283</u>	<u>294</u>

The average number of employees working abroad amounted 188 (2017: 181).

PP European IP Management B.V., Amsterdam.
All amounts are stated in EUR000 unless indicated otherwise

13) Amortisation/depreciation of intangible and tangible fixed assets

	2018	2017
	EUR	EUR
Intangible fixed assets	6,227	5,045
Tangible fixed assets	1,128	984
	<u>7,355</u>	<u>6,029</u>

14) Other operating expenses

The other operating expenses include professional fees, accommodation costs, office costs, marketing costs and IT costs.

The breakdown of the lease and sublease payments recognised in the profit and loss account are as follows:

	Lease payments		Sublease payments	
	2018	2017	2018	2017
	EUR	EUR	EUR	EUR
Minimum lease payments	280	319	2,041	1,989
Conditional lease payments	-	-	-	-
Sublease receipts	-	-	-	-
	<u>280</u>	<u>319</u>	<u>2,041</u>	<u>1,989</u>

Fees audit firm:

2018

	Deloitte	Other X network	Total network
	EUR	EUR	EUR
Audit of the financial statements	181	-	-
Other audit engagements	-	-	-
Tax advisory services	-	-	-
Other non-audit services	19	-	-
	<u>200</u>	<u>-</u>	<u>-</u>

2017

	Deloitte	Other	Total network
	EUR	EUR	EUR
Audit of the financial statements	169	-	-
Other audit engagements	-	-	-
Tax advisory services	-	-	-
Other non-audit services	33	-	-
	<u>202</u>	<u>-</u>	<u>-</u>

PP European IP Management B.V., Amsterdam.
All amounts are stated in EUR000 unless indicated otherwise

15) Financial income and expense

This item includes finance costs, amortisation prepaid loan fees, and foreign exchange results.

	2018	2017
	EUR	EUR
Finance costs	2,699	2,400
Foreign exchange results	79	96
Amortisation prepaid loan fees	159	145
	<u>2,937</u>	<u>2,641</u>

16) Taxation on result

The taxation on the result has been calculated as follows:

		2018		2017
	%	EUR	%	EUR
Profit before taxes		(3,752)		(772)
Tax burden based on Dutch nominal rate	25	938	25	193
Non-deductible expenses goodwill amortization	(39)	(1,449)	(137)	(1,057)
Tax effect NL on capital expenditures & other	12	458	54	416
Effect on tax charge due to other nominal rates	0	15	11	87
No deferred tax assets on losses in NL	(1)	(33)	(3)	(25)
No deferred tax assets on losses in France	2	74	(2)	(14)
No deferred tax assets on losses in UK	6	218	14	107
Other	(6)	(197)	(24)	(183)
	<u>(1)</u>	<u>24</u>	<u>(62)</u>	<u>(476)</u>

Other includes a French local business tax called "CVAE" of €193 (2017: €183) which is based on companies added value. The Group consider this tax, calculated on a net amount of incomes and expenses, as income tax and related expenses are reported on the line "taxation".

Transactions with related parties

Balances and transactions between PP European IP Management B.V. and its subsidiaries, which are related parties of PP European IP Management B.V., have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties. Reference is made to note 9 regarding loans with related parties and note 21.1 remuneration key personnel

PP European IP Management B.V., Amsterdam.
All amounts are stated in EUR000 unless indicated otherwise

Notes to the consolidated cash flow statement

Notes to cash flows

In 2018 the subsidiary NovumIP was purchased. This is included under "acquisitions of group companies" in the cash flow statement relating to acquisition price and other costs paid from cash and cash equivalents. In 2019, payments in respect of this purchase are no longer being made.

Breakdown of cash and cash equivalents

		EUR
Cash as at December 31, 2017	2,250	
Securities as at December 31, 2017	-	
Cash and cash equivalents as at December 31, 2017		2,250
Balance sheet movements of cash and cash equivalents in 2018		804
Cash as at December 31, 2018	3,054	
Securities as at December 31, 2018	-	
Cash and cash equivalents as at December 31, 2018		<u>3,054</u>

All balances are available at call, with the exception of bank guarantees provided for an amount of EUR 361 (2017: EUR 359) and a client blocked bank account of EUR1 (2017: EUR 449). The bank credit balances have been reported as credit institutions as part of the current liabilities.

Other notes

Remuneration of (former) directors and supervisory directors

In 2018 an amount of EUR – (2017: EUR –) for the remuneration of directors and for benefits for former directors of the legal entity was charged to the company and its subsidiaries or group companies.

Subsequent events

None

PP European IP Management B.V., Amsterdam.
All amounts are stated in EUR000 unless indicated otherwise

Company-only financial statements

- Company-only balance sheet as at December 31, 2018
- Company-only profit and loss account 2018
- Notes to the company-only financial statements

Company-only balance sheet as at December 31, 2018

(before appropriation of result)	Note	31.12.2018 EUR	31.12.2017 EUR
Assets			
Fixed assets			
Intangible fixed assets	1	82,477	87,038
Financial fixed assets	2	-	-
		82,477	87,038
Current assets			
Receivables, prepayments and accrued income	3	245	126
Cash	6	6	254
		251	380
		<u>82,728</u>	<u>87,418</u>
Equity and liabilities			
Shareholders' equity	4		
Issued share capital		60	60
Share premium		43,428	43,428
Revaluation reserves		-	-
Legal and statutory reserves		1,523	(110)
Undistributed profits		(6,536)	(1,248)
		38,475	42,130
Provisions for Group companies	5	31,379	33,145
Long-term liabilities	6	12,757	12,050
Current liabilities, accruals and deferred income		117	93
		44,253	45,288
		<u>82,728</u>	<u>87,418</u>

PP EUROPEAN IP MANAGEMENT B.V., Amsterdam.
All amounts are stated in EUR000 unless indicated otherwise

Company-only profit and loss account 2018

	2018	2017
	EUR	EUR
Share in result of associated companies	968	3,033
Other income and expense after taxation	(4,696)	(4,281)
Result after taxation	(3,728)	(1,248)

PP EUROPEAN IP MANAGEMENT B.V., Amsterdam.
All amounts are stated in EUR000 unless indicated otherwise

Notes to the company-only financial statements

General accounting principles for the preparation of the financial statements

The company-only financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code.

For the general principles for the preparation of the financial statements, the principles for valuation of assets and liabilities and determination of the result, as well as for the notes to the specific assets and liabilities and the results, reference is made to the notes to the consolidated financial statements, if not presented otherwise hereinafter.

Participations in group companies

Participations in group companies in which significant influence is exercised on the business and financial policy, are valued under the net equity value, but not lower than nil. This net asset value is based on the same accounting principles as applied by PP European IP Management B.V.. If the net asset value is negative, the participating interest is valued at nil. This likewise takes into account other long-term interests that should effectively be considered part of the net investment in the participating interest. If the company fully or partly guarantees the liabilities of the associated company concerned, or has the effective obligation respectively to enable the associated company to pay its share of the liabilities, a provision is formed. Upon determining this provision, provisions for doubtful debts already deducted from receivables from the associated company are taken into account.

PP EUROPEAN IP MANAGEMENT B.V., Amsterdam.
All amounts are stated in EUR000 unless indicated otherwise

Notes to the specific items of the balance sheet

1) Intangible fixed assets

A summary of the movements of intangible fixed assets is given below:

	Goodwill
	<u>EUR</u>
Acquisition cost as at January 1, 2018	91,219
Cumulative amortisations and other impairment in value as at January 1, 2018	<u>(4,181)</u>
Carrying amount as at January 1, 2018	87,038
Investments	-
Amortisations	(4,561)
Exchange rate differences	-
Carrying amount as at December 31, 2018	<u><u>82,477</u></u>
Acquisition cost as at December 31, 2018	91,219
Cumulative amortisations and other impairment in value as at December 31, 2018	<u>(8,742)</u>
Carrying amount as at December 31, 2018	<u><u>82,477</u></u>
Amortisation percentage	<u><u>5 %</u></u>

2) Financial fixed assets

A summary of the movements in the financial fixed assets is given below:

	<u>Total</u>
	EUR
Carrying amount as at January 1, 2018	-
Movements:	
Additions in receivables group companies	724
Reclassification to provision for group companies	(1,766)
Share in result of associated companies	968
Other changes in equity	-
Exchange rate differences	74
Carrying value as at December 31, 2018	<u><u>-</u></u>
Accumulated impairments in value as at December 31, 2018	<u><u>-</u></u>

The investment in group companies comprises the net balance of participating interests and receivables on group companies.

PP EUROPEAN IP MANAGEMENT B.V., Amsterdam.
All amounts are stated in EUR000 unless indicated otherwise

3) Receivables, prepayments and accrued income

	31.12.2018		31.12.2017	
	Total	> 1 year	Total	> 1 year
	EUR	EUR	EUR	EUR
Group companies	135	-	-	-
Other receivables	110	110	126	-
	<u>245</u>	<u>110</u>	<u>126</u>	<u>-</u>

4) Shareholders' equity

	Issued share capital	Share premium	Legal and statutory reserves	Undistributed profits	Total equity
	EUR	EUR	EUR	EUR	EUR
Balance as at January 1, 2018	60	43,428	(110)	(1,248)	42,130
Movements:					
Allocation reserves	-	-	1,560	(1,560)	-
Result for the period	-	-	-	(3,728)	(3,728)
Dividends received	-	-	-	-	-
Foreign exchange differences	-	-	73	-	73
Reduction in amounts capitalised	-	-	-	-	-
Release of reserves	-	-	-	-	-
Balance as at December 31, 2018	<u>60</u>	<u>43,428</u>	<u>1,523</u>	<u>(6,536)</u>	<u>38,475</u>

Issued share capital

The issued share capital of the company amounts to EUR 60,066, divided into EUR 50,000 ordinary shares (with a nominal value of € 0,01 one euro cent) and, EUR 10,066 preference shares (with a nominal value of € 0,01 one euro cent). The shares have been issued and fully paid up.

A summary of the movements in the issued share capital is given below:

	Ordinary shares	Preference shares	Total
	EUR	EUR	EUR
Balance as at January 1, 2018	50	10	60
Shares issued	-	-	-
Capital redemption	-	-	-
Recapitalization	-	-	-
Balance as at December 31, 2018	<u>50</u>	<u>10</u>	<u>60</u>

The amount of the overdue dividend on cumulative preferred shares amounts to EUR 4,973 (2017: EUR 2,486). The management board of PP European IP Management B.V. has not approved distribution of this preference dividend due to insufficient free general reserves and therefore the Company keeps the obligation off statement of financial position.

PP EUROPEAN IP MANAGEMENT B.V., Amsterdam.
All amounts are stated in EUR000 unless indicated otherwise

Share premium

A summary of the movements in share premium is provided below:

	EUR
Balance as at January 1, 2018	43,428
Share premium on capital contribution	-
Share premium contributions	-
Issue costs	-
Issued as bonus shares	-
Recapitalization	-
Balance as at December 31, 2018	<u>43,428</u>

Legal and statutory reserves

A summary of the movements in the legal and statutory reserves is given below:

	Associated companies	Incorporation expenses	Translation differences	Capitalised development costs	Total
	EUR	EUR	EUR	EUR	EUR
Balance as at January 1, 2018	-	-	(110)	-	(110)
Movements:					
Increase	-	-	-	1,560	1,560
Foreign exchange differences	-	-	73	-	73
Release of reserves	-	-	-	-	-
Balance as at December 31, 2018	<u>-</u>	<u>-</u>	<u>(37)</u>	<u>1,560</u>	<u>1,523</u>

A legal statutory reserve related to development costs is formed for the amount of the capitalized costs as reported under Intangible fixed assets.

Undistributed profits

A summary of the movements in the undistributed profits is given below:

	EUR
Balance as at January 1, 2018	(1,248)
Result of the financial year	(3,728)
Allocation to legal and statutory reserves	(1,560)
Balance as at December 31, 2018	<u>(6,536)</u>

Appropriation of result for the financial year 2017

The annual report 2017 was adopted in the general meeting of shareholders held on March 21st, 2019. The general meeting of shareholders has determined the appropriation of result in accordance with the proposal being made to that end. The financial statements do not yet reflect this appropriation.

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All amounts are stated in EUR000 unless indicated otherwise

Proposed appropriation of result for the financial year 2018

The board of directors proposes, with the approval of the supervisory board, that the loss for the financial year 2018 amounting to EUR 3,659 should be charged to the other reserves without payment of dividend. The financial statements reflect this proposal.

5) Provisions for Group companies

This item relates to the negative net equity value of a group company. Investments in subsidiaries are accounted for using the net equity value. The net equity value of subsidiaries comprises the cost, excluding goodwill, of the Company's share in the net assets of the subsidiary, plus the Company's share in income or losses since acquisition less dividends received. Goodwill paid on acquisition of an investment is included in the net equity value of the investment and is not shown separately on the face of the statement of financial position. Investments in subsidiaries with a negative equity are valued at nil. If the Company fully or partly guarantees the liabilities of the participation concerned a provision is formed, primarily comprising the receivables from this participation. The remainder is recognized under provisions, in the amount of the share in the losses incurred by the participation, or for the payments the company is expected to make on behalf of these participations.

6) Long-term liabilities

	31.12.2018		31.12.2017	
	Interest rate		Interest rate	
	EUR	%	EUR	%
Shareholder loan	<u>12,757</u>	5,87	<u>12,050</u>	5,87
	<u>12,757</u>		<u>12,050</u>	

Of the total amount concerning long-term liabilities an amount of EUR 12,757 (2017: EUR 12,050) has a remaining term of more than five years.

Loans repayable within 12 months of the end of the financial year in the amount of EUR – (2017: EUR -) are not included in the long-term liabilities, but are included in the current liabilities.

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All amounts are stated in EUR000 unless indicated otherwise

Non-recognised assets and liabilities and contingent assets and liabilities

The legal entity has guaranteed liabilities of the following consolidated group companies, as meant in article 2:403 of the Netherlands Civil Code:

- Novagraaf Group B.V.;
- Novagraaf IP NL B.V.;
- Novagraaf Europe B.V.

The legal entity is therefore jointly and severally liable for the liabilities arising from the legal acts of these group companies.

Contingent plans

None

Taxes

Corporate income tax is charged to the other companies that form part of the fiscal unity for corporate income tax purposes, as if they were independently liable to pay tax.

Deferred tax assets have been capitalised in the balance sheet of the company because deferred taxes are included in the valuation of the subsidiaries.

Other notes

Subsequent events

None

Signing of the financial statements

Amsterdam, September 6, 2019

Management board:

Dr. K. von Moeller

M. Moser

Other information

Independent auditor's report

Reference is made to the auditor's report as included hereinafter.

Appropriation of result according to articles of association

In Article 16 of the company statutory regulations the following has been presented concerning the appropriation of result:

Article 16 – profits

1. Profit will be taken to mean the credit balance of the adopted profit and loss account.

2. Notwithstanding the provisions in paragraphs 3, 4 and 6 of this Article 16, the profits available for distribution shall be allocated in such a way that, in as far as possible and in as far as the shareholders' equity exceeds the reserves that have to be maintained by law, a dividend shall be distributed on the non-voting cumulative preference shares which shall be calculated on the basis of a compounded annual rate of return of eight percent (8%) over:

(i) the total amount paid on the non-voting cumulative preference shares, including share premium;

(ii) the balance of the dividend reserve attached to the non-voting cumulative preference shares;

(iii) any deficit in dividends, which have not been compensated, as referred to below. If part of the balance of the share premium reserve and/or dividend reserve was only added to the respective reserve during part of the respective financial year, for the calculation of the dividend the compounded interest of eight percent (8%) will only be calculated during that period over the respective part of the balance.

By calculating the dividend in this paragraph 2 of this Article 16 over a financial year in which a non-voting cumulative preference share has not been issued during the full financial year, for the calculation of the dividend only the period that the concerning non-voting cumulative preference share was issued will be taken into account.

Holders of non-voting cumulative preference shares shall be entitled to the said dividend in proportion of the number of non-voting cumulative preference shares held by each holder of non-voting cumulative preference shares.

3. In the event where the profits available for distribution in any financial year are not sufficient to distribute the dividends as mentioned in paragraph 2 of this Article 16 in full (which shall for the purposes of this paragraph 3 of this Article 16 include adding profits to the dividend reserve attached to the non-voting cumulative preference shares as referred to in paragraph 4 of this Article 16), in the financial years following the financial year where the profits were insufficient, the provisions of the first sentence of paragraph 2 and paragraph 5 of this Article 16 will only apply after the deficit in dividend as referred to in this paragraph 3 of this Article 16 has, with due observance of the provisions of paragraph 6 of this Article 16, been distributed. The deficit will be distributed in as far as the shareholders' equity exceeds the reserves that have to be maintained by law. Deficit shall mean the difference between (i) the dividend calculated on the basis of paragraph 2 of this Article 16 which would have been distributed on the non-voting cumulative preference shares if the available profits of any financial year would have been sufficient and (ii) the part of the dividend calculated on the basis of paragraph 2 of this Article 16 which was actually distributed.

PP EUROPEAN IP MANAGEMENT B.V., Amsterdam.

Holders of non-voting cumulative preference shares shall be entitled to the said dividend in

proportion of the non-voting cumulative preference shares held by each holder of non-voting cumulative preference shares.

4. The general meeting may resolve that the amount calculated in accordance with paragraph 2 or 3 of this Article 16 shall not be distributed, but added to the dividend reserve attached to the non-voting cumulative preference shares. In such event, the amount shall be deemed to be added to the dividend reserve attached to the non-voting cumulative preference shares as per the first day of the financial year in which the amount will be calculated.

In case of a tie in votes on a proposal to distribute or reserve (part of) the profits, the respective profits to which the proposal relates shall be added to a profit reserve attached to the non-voting cumulative preference shares.

5. After compliance of the previous paragraphs, the non-voting cumulative preference shares shall not share in the remaining profits. Notwithstanding paragraph 6 of this Article 16, the general meeting shall decide upon the allocation of profits which shall remain after application of the previous paragraphs, in as far as the shareholders' equity, after application of the previous paragraphs, exceeds the reserves that have to be maintained by law.

For the purposes of calculating the amount to be distributed on each ordinary share, only the amount of the mandatory payments towards the nominal value of these shares shall be taken into account.

In case of a tie in votes on a proposal to distribute or reserve (part of) the profits, the profits to which the proposal relates shall be added to the dividend reserve attached to the ordinary shares.

6. A resolution to distribute profits shall only have effect upon approval by the management board. The management board shall only withhold its approval if it is aware, or reasonably should be aware that after such distribution, the company will no longer be able to meet its debts which are due for payment.

7. No distribution of profits for the benefit of the company will be made on shares owned by the company.

8. The general meeting may - with due observance of paragraphs 2 up to and including 7 of this Article 16 - resolve to pay out an interim dividend from profits which have not yet been determined, in as far as the shareholders' equity, after application of the previous paragraphs, exceeds the reserves that have to be maintained by law.

9. The general meeting may - with due observance of paragraphs 6 and 7 of this Article 16 - resolve to distribute an amount on account of the share premium reserve relating to shares of a specific class to the holders of shares of that class, in as far as the shareholders' equity, after application of the previous paragraphs, exceeds the reserves that have to be

maintained by law. Holders of shares of the respective class shall be entitled to the said distribution in proportion of the number shares of the respective class held by them.

10. The general meeting may - with due observance of paragraphs 6 and 7 of this Article 16 - resolve to distribute an amount on account of the dividend reserve relating to shares of a specific class to the holders of shares of that class, in as far as the shareholders' equity, after application of the previous paragraphs, exceeds the reserves that have to be maintained by law. Holders of shares of the respective class shall be entitled to the said distribution in proportion of the number shares of the respective class held by them.

11. The claim of a shareholder for payment of dividends shall lapse after a period of five years.

PP EUROPEAN IP MANAGEMENT B.V.,Amsterdam.

Branches

The legal entity has branches in the countries Belgium, France, United Kingdom, Switzerland and Japan that trade under the trade names "Novagraaf".

Independent auditor's report

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Independent auditor's report

To the shareholders and board of Management of PP European IP Management B.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2018 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the accompanying financial statements 2018 of PP European IP Management B.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of PP European IP Management B.V. as at 31 December 2018, and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. The consolidated and company balance sheet as at 31 December 2018.
2. The consolidated and company profit and loss account for 2018.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of PP European IP Management B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (VIO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contain other information that consists of:

- Management Board's Report.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.

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Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Management Board's Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Amsterdam, September 6, 2019

Deloitte Accountants B.V.

Signed on the original: C.A.M. Renne