Parent A/Cs for
NOVAGRAAF IP UK LIMITED
4021839

Novagraaf

PP European IP Management B.V.
Annual Report 2017

Contents

Report of the Board of Management

The report of the Board of Management is available at the company.

Amsterdam, 12 December, 2018

Dr. K. von Moeller

M. Sabljo

Consolidated Statement of Financial Position

All amounts stated in € '000 (unless indicated otherwise)

Consolidated Statement of Financial Position at December 31, 2017

(after result appropriation)

	Note	31/12/2017
Assets		
Non-current assets		
Goodwill	1	**62,149**
Other intangible assets	2	**46,279**
Property, Plant and Equipment	3	**3,742**
Deferred tax assets	20	**139**
Other long-term assets	4	**521**
Total non-current assets		**112,830**
Current assets		
Trade debtors	5	**16,299**
Other receivables, prepayments and accrued income	6	**5,282**
Cash and cash equivalents	7	**2,250**
Total current assets		**23,831**
Total assets		**136,661**

All amounts stated in € '000 (unless indicated otherwise)

Consolidated Statement of Financial Position at December 31, 2017 - continued

Equity and Liabilities	Note	31/12/2017
Capital and reserves	8	
Issued and paid in capital		**60**
Share premium		**40,828**
Reserves		**(29)**
Retained earnings		**(953)**
Total group equity		**39,906**
Non-current liabilities		
Long-term debts	9	**54,324**
Long-term tax liabilities	20	**12,160**
Retirement benefit obligation	10	**1,370**
Provisions	11	**23**
Total non-current liabilities		**67,877**
Current liabilities		
Trade and other creditors		**10,283**
Current portion of long-term debts	9	**2,341**
Credit institutions	7	**3,427**
Current tax liabilities	20	**130**
Other current liabilities and accruals	12	**12,697**
Total current liabilities		**28,878**
Total equity and liabilities		**136,661**

All amounts stated in € '000 (unless indicated otherwise)

Consolidated Statement of Profit or Loss over the period 21 December 2016 to 31 December 2017

	Note	21-12-2016 - 31-12-2017
Net Revenue	14	**68,089**
External charges	15	**(31,215)**
Gross profit		**36.874**
Salaries and wages	16	(16,447)
Social insurance costs	17	(5,183)
Depreciation of Property, Plant and Equipment	3	(984)
Amortization other intangible assets	2	(2,935)
Other operating expenses	18	(9,730)
Total operating expenses		**(35,279)**
Operating result before impairment of goodwill		**1,595**
Impairment goodwill	1	-
Operating result		**1,595**
Interest income		12
Finance costs and foreign exchange results	19	(2,653)
Total of interest income and finance costs		**(2,641)**
Result before taxation		**(1,046)**
Taxation	20	93
Loss for the period		**(953)**

All result for the periods are attributable to the owners of the parent.

All amounts stated in € '000 (unless indicated otherwise)

Consolidated Statement of Other Comprehensive Income over the period 21 December 2016 to 31 December 2017

	Note	21-12-2016 - 31-12-2017
Loss for the period		**(953)**
Items that will not be reclassified subsequently to profit or loss		
Pension		**77**
		(876)
Items that may be reclassified subsequently to profit or loss		
Translation differences on foreign operations		(106)
Total comprehensive income for the period		**(982)**

Total comprehensive income for the periods are attributable to the owners of the parent.

All amounts stated in € '000 (unless indicated otherwise)

Consolidated Statement of Changes in Equity as at December 31, 2017

Period 21-12-2016 - 31-12-2017	Share capital issued and paid up	Share premium	Retained earning / Accumulated losses	Cumulative translation adjustment	Pension reserve	Result for the year	Total
Balance as at 21 December 2016	-	-	-	-	-	-	-
Incorporation	50	40,828	-	-	-	-	40,878
Comprehensive income							
Exchange rate differences on net equity of foreign subsidiaries	-	-	-	(106)	-	-	(106)
Loss for the period	-	-	-	-	-	(953)	(953)
Movements	-	-	-	-	77	-	77
Comprehensive income subtotal	-	-	-	*(106)*	*77*	*(953)*	*(982)*
Increase	10	-	-	-	-	-	10
Allocation of result to accumulated losses	-	-	(953)	-	-	953	-
Balance as at 31 December 2017	60	40,828	(953)	(106)	77	-	39,906

All amounts stated in € '000 (unless indicated otherwise)

Consolidated Statement of Cash flows over the period 21 December 2016 to 31 December 2017

	Note	21-12-2016 - 31-12-2017
Cash flow from operating activities		
Loss for the period		**(953)**
Adjustments for:		
Income tax expenses recognized		(93)
Finance costs recognized		2,400
Retirement benefit obligation	10	255
Provisions	11	-
Depreciation on Property, Plant and Equipment	3	984
Amortisation other intangibles assets	2	2,935
Exchange rate effects		(157)
		5,371
Movements in working capital:		
• Increase Trade debtors		(16,299)
• Increase Other current assets		(5,282)
• Increase Trade and other creditors		10,283
• Increase Current liabilities and other accruals		12,695
Cash generated from operations		**6,768**
Interest paid		(1,782)
Income taxes paid		(517)
Net cash generated by operating activities		**4,469**
Cash flows from investing activities		
Investments Property, Plant and Equipment		(1,879)
Disposals Property, Plant and Equipment		-
Additions in other fixed assets		(258)
Disposals of other fixed assets		-
Net cash used in investing activities		**(2,137)**

All amounts stated in € '000 (unless indicated otherwise)

		21-12-2016 - 31-12-2017
Cash flows from financing activities		
Acquisition of business combination		(100,444)
New equity funding		40,888
Long-term loans acquired from credit institution	9	46,470
Long-term loans acquired from shareholders	9	13,932
Long-term loan redemption	9	(4,500)
Increase credit institutions	7	3,427
Other long-term obligations	9	145
Net cash used in financing activities		**(82)**
Net cash flow		**2,250**
Cash and cash equivalents as at 21 December 2016	7	-
Cash and cash equivalents as at 31 December 2017	7	**2,250**

Notes to the consolidated financial statements for the year ended December 31, 2017

General information

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.

The consolidated financial statements were authorised for issue by Management on 12 December, 2018.

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.

Incorporation and acquisitions

The Company was incorporated on December 21, 2016 as PP European IP Management B.V. and the first reporting period relates to the period 21 December 2016 until 31 December 2017. The company bought 100% of the shares of Novagraaf Group B.V. and its group companies at January 30, 2017. The 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.

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. PP European IP Holding GmbH holds as at 31 December 2017 81,57% of the ordinary shares. The Paragon Fund II GmbH & Co. KG is the ultimate controlling party. The other shareholders are;

16,76% Blade Management Cooperatief U.A.

1,67% 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.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the reported financial year presented, unless otherwise stated.

Basis of presentation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional requirements base on Part 9 Book 2 of the Dutch Civil Code. They have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for services.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the summary of significant accounting policies.

The Company applies article 2:402 of the Dutch Civil Code and presents as such a condensed company profit and loss account in its company financial statements of PP European IP Management B.V. over the period of 21 December 2016 until 31 December 2017 as included in these financial statements

Application of new and revised IFRSs

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards.

The following standards, amendments and interpretations effective 1 January 2017 do not have a significant change;
- Amendments to IAS 7 Disclosure Initiative.
- Amendments IAS12 Recognition of Deferred Tax Assets for Unrealised losses.

Standards, amendments and interpretations not yet adopted. The following standards, amendments and interpretations have not yet been adopted by The Group;

- IFRS 9 Financial Instruments (as revised in 2014 and effective 1 January 2018). This standard replaces the current standard, IAS 39 Financial Instruments: Recognition and Measurement: Recognition and Measurement in its entirety upon the former's effective date. The completed IFRS 9 (as revised in 2014) contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting. The Group expect impact of adopting IFRS 9 to be immaterial. The impairment methodology can have an impact on Novagraaf as the standard requires provisions to be recorded earlier (timing effect) but is expected to be immaterial. The Group does not have any currency hedging and the interest rate cap hedge instrument is already on balance sheet;

- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018). The standard establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue Standards and Interpretations upon its effective date: IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-Barter Transactions Involving Advertising Services. The Group expect impact of adopting IFRS 15 to be immaterial as the Group has limited contracts with clients and these contracts do not have any obligations but only reflect the agreed pricing and SLA's between Novagraaf and Client. All revenue is based on direct client instructions that do not come form contracts with relatively short throughput time and hence limited revenue recognition elements;

- IFRS 16 Leases (effective 1 January 2019). The standard establishes how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Group expect impact of adopting IFRS 16 to be material as currently lease contracts are reported within operational cost and will be moved under the new standard to depreciation and interest costs. In addition lease contracts will be reported on the balance sheet under this new standard. The off balance commitment of these lease contracts amounts to €7.3 million at 31 December 2017 and will be reported on balance sheet under IFRS16;

Consolidation

The consolidated financial statements incorporated the financial statements of the Company and entities controlled by the Company and its subsidiaries. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. They are de-consolidated from the date on which control ceases to exist. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full in consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of fair values of the assets (at the acquisition-date) transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in the income statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:
- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed. If the net amount of the identifiable assets acquired and the liabilities assumed exceed the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree (if any), then the excess is recognised immediately in profit or loss as a bargain purchase.
Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at the fair value and included in the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments, are adjusted retrospectively, with a corresponding adjustment to goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depend on how the contingent consideration is classified. A contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. A contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e., the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the income statement. Amounts arising from interests in the acquiree before the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Foreign currencies

Transactions in foreign currencies are recognised at the rates of exchange prevailing at the dates of the transactions. The consolidated financial statements been drawn up in thousands of Euros, which is the functional currency of PP European IP Management B.V. and the presentation currency for the consolidated financial statements. Assets and liabilities denominated in foreign currencies are translated at the official rates of exchange prevailing on the balance sheet date. Income and expenditure denominated in foreign currencies are converted at the rates of exchange prevailing on the transaction date.

Exchange rate differences due to exchange rate fluctuations between the transaction date and the settlement date or balance sheet date are taken to the statement of income.
Translation differences on the net investments in foreign subsidiaries and the related long-term financing are added or charged directly to the shareholders' equity of PP European IP Management B.V. through other comprehensive income.

All amounts stated in € '000 (unless indicated otherwise)

The exchange rates used are as follows (closing rates refer to 31 December 2017 and average rates over the 12 months period 2017):

	2017
GBP/EUR closing rate	0.8872
GBP/EUR average rate	0.8742
JPY/EUR closing rate	135.01
JPY/EUR average rate	127.00
CHF/EUR closing rate	1.1702
CHF/EUR average rate	1.1130

Intangible assets

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to the Group's relevant cash-generating units that is expected to benefit from the synergies of the combination to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent period.

On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets

Other intangible assets are carried at cost less accumulated amortization and impairment losses. The cost of intangible assets with determinable useful lives is amortized (to reflect the pattern of economic benefits consumed) on a straight-line basis over the estimated periods benefited. Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

The rates of amortisations other intangible assets are;

- Brand valuation : 5%
- Technology : 20%
- Customer relationships : 3%-11%

When certain events or changes in operating conditions occur, an impairment assessment is performed and lives of intangible assets with determinable lives may be adjusted. Further information on Other intangible assets are disclosed in note 2.

Property, Plant and Equipment

The Property, Plant and Equipment are stated at cost, less accumulated depreciation on a straight-line basis, based on the estimated useful life and if applicable less impairment.

The rates of depreciation are:

- Leasehold improvements : 20.00%.
- Computer & software : 33.33%.
- Office equipment : 15.00%.

Depreciation
Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Disposal
An item of property, plant and equipment is derecognised upon disposal, or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available

for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.
If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.
When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase..

Work in Progress

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

Financial Instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

<u>Impairment of financial assets</u>

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

a) Loans and receivable

Loans and receivables are non-derivative financial investments with fixed or determinable payments that are not quoted on an active market, other than those that the Group intends to sell in the short-term, or that it has designated as at fair value through income. Deposits withheld by ceding companies and receivables arising from insurance contracts are also classified in this category. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

b) Trade Debtors

Trade debtors are shown at amortized costs less a provision for doubtful debts when appropriate. Credit risk on trade debtors is actively monitored on an ongoing basis by local management including local credit policies in place to limit the risk of unpaid invoices. Before accepting any new clients, a credit check is made to asses potential credit limits.
In case a trade debtor can not be collected and expect to result in a loss a provision for doubtful debts is recorded. These provisions are determined by individual assessment of the receivables.

c) Derivatives

The Company has entered into an interest rate cap to mitigate the possible risk of Euribor increases in relation to the third party loans. Financial instruments are recognized on the statement of financial position. This instrument is kept until end of maturity and has the same period. The fair values are determined from listed market prices, price quotations from banks.

The Group enters into a derivative financial instruments to manage its exposure to interest rate risks and interest rate cap. Further details of derivative financial instruments are disclosed in note 9.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Note 9 sets out details of the fair values of the derivative instruments used for hedging purposes.

d) Cash and Cash Equivalent

Cash and cash equivalents consist of petty cash and bank balances. Cash and cash equivalents are stated as amortised cost.

e) Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities are classified as at fair value through profit & loss (FVTPL) when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

it has been acquired principally for the purpose of repurchasing it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income/income statement.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

Borrowing costs such as loan fees are charged to the profit or loss during the period of the loan.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue Recognition

The Revenue 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.
The external charges, such as invoices from agents and costs from external consultants, consist of the costs directly connected with the Revenue.
Exchange differences from translating assets and liabilities in foreign currencies into Euro are included in Finance costs and foreign exchange results.

Taxation

Corporation tax charged to the statement of income is calculated on the result before taxation taken into account the participation exemption and other tax regulations.
The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income/statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that management anticipates that it is probable that these are realisable. These deferred tax assets are valued at nominal value and have a predominantly long-term character. Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable prof is will be available to allow all or part of the asset to be recovered.
Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Employee benefits/pensions

PP European IP Management B.V. and group companies have defined contribution pensions plans and defined benefit pension plans. Based on the administration agreement it is assessed whether and, if so, which obligations exist in addition to the payment of the annual contribution due to the pension provider as at statement of financial position date. These additional obligations, including any obligations from recovery plans of the pension provider, lead to expenses for the Company and are included in a provision on the statement of financial position. With final salary pension plans an obligation (provision) for (upcoming) past service is included if future salary increases have already been defined as at statement of financial position date.

Retirement benefit plans in France

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.

The following assumptions used as valuation plans in France;

	Novagraaf France	Novagraaf Technologies
Salary increase rate	1,5%	
Turnover rate	13,0%	17,2%
Average duration	16	11
Duration rate	1,76%	1,38%

All amounts stated in € '000 (unless indicated otherwise)

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The contributions to these plans are recognised as expenses in the income statement.

Retirement benefit plans in The Netherlands

The defined benefit plan in The Netherlands has been changed into a defined contribution plan as from 1st January 2014 onwards. Due to this plan change the defined benefit obligation is set equal to the present value of the accrued benefits. The new defined contribution plan decreases the risks for the company in The Netherlands significantly and the only obligation with respect to this new retirement benefit plan is to make the specified contributions to an external insurance company. A discount rate of 1.9% has been used in the actuarial valuations regarding pension. Furthermore in case of dismissal, we assume no outgoing individual value transfer of accrued pension rights will occur. The accrued pension rights will remain within the insurance contracts of the Company. A decrease of the discount rate of 0,5% will have an impact on the defined benefit obligation of 11% (increase).

The assumptions used for the purposes of the actuarial valuations regarding the defined benefit plan in Netherlands were as follows:

	31/12/2017
Discount rates	1.90%
Wage inflation	0.00%
Pension increase rate	0.00%
Retirement probability	100% at normal retirement age
Mortality -, Disability decrement, Turnover rate	AG Prognosetafel 2012-2062

Defined benefit plans

The Group operates funded defined benefit plans for qualifying employees of its subsidiary in Switzerland. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2017. All actuarial gains and losses were recognised in OCI.

All amounts stated in € '000 (unless indicated otherwise)

Retirement benefit plans in Switzerland

The defined benefit plan in Switzerland consists out of two pension schemes for its employees with the external insurance company: 1)A minimum legal pension plan according to Swiss Law & 2)For key people that earn more than KCHF 110, there is a second pension plan. The goal of the second pension plan is to increase the final available capital. The retirement age is according to the Swiss Law, currently 64 years for women and 65 years for men. The premiums for the minimum legal pension plan are paid by the employee (35% of required premiums) and the company (65% of the required premiums). The goal of the second plan is to increase the capital at retirement age. The premiums are calculated on the gross salary and represent about 5% in total. On this amount, the company pays 60% and the employee 40%. Premiums are paid on a monthly basis to an external insurance company. This external insurance company is fully reassured for risks due to disability, death and longevity. All pensions paid out by this external insurance company are thus borne by other insurance companies. In this respect, all the risks are fully reassured with other insurance companies and therefore do not constitute a potential risk for the company.

The principal assumptions used for the purposes of the actuarial valuations regarding pension plans in Switzerland were as follows:

	31/12/2017
Discount rates	0.75%
Wage inflation	1.00%
Pension increase rate	0.00%
Retirement probability	100% at normal retirement age
Mortality -, Disability decrement, Turnover rate	BVG 2015

The best estimate of contributions expected during next annual period amounts to KCHF187 of the benefit plans in Switzerland.

Overview sensitivity analysis Switzerland pension plans;

	KCHF
Actual parameters	4,866
Discount rate +0,5%	4,471
Discount rate -0,5%	5,321
Salary increase rate +0,5%	4,921
Salary increase rate -0,5%	4,815

All amounts stated in € '000 (unless indicated otherwise)

CHANGES IN NET BALANCE SHEET POSITION	21-12-2016 - 31-12-2017
Balance as at 21 December 2016	-
Acquisition net defined benefit asset / (liability)	(858)
Defined benefit (cost) / income recognised in profit and loss account	(249)
Remeasurement gains / (losses) recognised in other comprehensive income	92
Contributions by the employer	158
Exchange rate difference	71
Closing net defined benefit asset / (liability)	**(786)**

CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION	21-12-2016 - 31-12-2017
Balance as at 21 December 2016	-
Acquisition defined benefit obligation	37.153
Current service cost	245
Contributions by plan participants (expected)	91
Employer service cost	336
Interest cost on the defined benefit obligation	647
Actuarial (gains) and losses	
- Experience adjustments	(19)
- Financial assumption adjustments	(73)
- Demographic assumption adjustments	-
Cash flows	
- Contributions by plan participants (actual)	-
- Benefits paid	(504)
- Balance of value transfers	-
Special events	
- Past service (credit) / cost: (gains) and losses on plan amendments and curtailments	-
- Liabilities extinguished on settlements	-
- Liabilities assumed in a business combination	-
Exchange rate difference	(338)
Closing defined benefit obligation	**37.201**

All amounts stated in € '000 (unless indicated otherwise)

CHANGES IN THE FAIR VALUE OF PLAN ASSETS	**21-12-2016 - 31-12-2017**
Balance as at 21 December 2016	-
Acquisition fair value of plan assets	36.294
Interest income on plan assets (a)	643
Return on plan assets greater / (less) than discount rate (b)	(1)
Cash flows	
- Contributions by the employer	159
- Contributions by plan participants	91
- Benefits paid	(504)
- Balance of value transfers	-
- Administrative expenses (expected)	-
Special events	
Assets distributed on settlements	-
Assets acquired in a business combination	-
Exchange rate difference	(268)
Closing fair value of plan assets	**36.414**
Actual return (a)+(b)	**641**

STATEMENT OF FINANCIAL POSITION	**21-12-2016 - 31-12-2017**
(Defined benefit obligation)	(37.201)
Fair value of plan assets	36.414
Funded status	(786)
Irrecoverable surplus (effect of asset ceiling)	-
Net defined benefit asset / (liability)	**(786)**

CUMULATIVE AMOUNTS RECOGNISED IN OCI (since IAS19rev2011 adoption)	**21-12-2016 - 31-12-2017**
Balance as at 21 December 2016	-
Acquisition cumulative remeasurement (gains) / losses in OCI	-
Actuarial (gain) / loss due to liability experience	(19)
Actuarial (gain) / loss due to liability assumption changes	(73)
Return on plan assets (greater) / less than discount rate	1
Tax effect	14
Business combinations	-
Change in irrecoverable surplus (excluding interest)	-
Other adjustments	-
Exchange rate difference	(7)
Closing cumulative remeasurement (gains) / losses in OCI	**(84)**

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described on page 15, 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.

Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. When the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill at 31 December 2017 is EUR 62,1 million. During the period 21 December 2016 until 31 December 2017 no impairment was recognised. Details of the valuation goodwill and impairment are set out in note 1.

Impairment of Other Intangible Assets

Determining whether other intangible assets is impaired requires an estimation of the value in use of the estimated useful lives to which other intangible assets has been allocated. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. When the estimated useful lives are less than expected, a material impairment loss may arise. The carrying amount of other intangible assets at 31 December 2017 is EUR 46,3 million. During the period 21 December 2016 until 31 December 2017 no impairment was recognised. Details of the valuation other intangible assets and impairment are set out in note 2.

Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the directors determined that the current useful lives should not be changed.

Fair value measurements and valuation processes.

The Group measures some of its financial instruments at fair value for financial reporting purposes. The fair value of financial instruments that are not traded in an active market is determined by using internal valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Where Level 1 inputs are not available, the Group engages if necessary an external independent valuation company to perform the valuation or uses internal valuation techniques (level 3).

Principles for preparation of the consolidated cash flow statement

Operating cash flow

The net operating cash flow is calculated by the indirect method, by adjusting the consolidated result after taxes for any income and expenses that are not cash flows (such as amortization and depreciation), and for movements in the consolidated working capital. Net operating cash flows also include the costs of financing the operating activities, income taxes paid on all activities and spending on reorganization provisions. The effect of translation differences is included in net operating cash flow.

Cash flow from investment activities

Net cash flow from investment activities are those arising from investments in fixed assets, from the acquisition and divestment of subsidiaries and business activities. Cash and cash equivalents available at the time of acquisition or divestment are deducted from the related payments or proceeds.

Cash flow from financing activities

Net cash flow from financing activities includes the proceeds from issue and repayments of equity and debt instruments. Cash flows from short-term financing are also included.

All amounts stated in € '000 (unless indicated otherwise)

Notes to the Consolidated statement of financial position for the year ended December 31, 2017

1. Goodwill

	2017
Cost as at January 30	62,149
Accumulated impairment losses	-
Balance as at December 31	**62,149**

Movement	**Goodwill**
Balance as at 21st December 2016	-
Acquisition	62,149
Amortisation	-
Impairment charge	-
Exchange rate differences	-
Balance as at December 31	**62,149**

Allocation of goodwill

Goodwill has not been allocated for impairment testing to countries. Same applies regarding cash-generating units as all goodwill is seen as one total.

Cash generating units

The recoverable amount of all cash-generating units is determined based on a value in use calculation which uses cash flow projections based on financial budgets & forecasts approved by the directors.

Goodwill is tested for impairment annually. Goodwill is impaired if the recoverable amount of the cash-generating unit to which it is allocated is lower than the book value of the cash-generating unit concerned including goodwill. The recoverable amount is calculated as the present value of expected future cash flows. The fair value was determined based on the net present value of the future cash flows expected to be derived from the cash-generating unit. The future expected cash flows are discounted at the weighted average cost of capital. The key assumption used in the cash flow projections is based on financial budgets approved by the directors covering a 2 years period, a growth of sales of 1,5% and estimated capital expenditure together with the rate used for discounting the cash flow projections (WACC post tax of 9,4% and pre tax WACC per country in a range between 12,5% - 14,2%). Based on the calculation for 2017, the Company has decided not to impair the goodwill.

The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

All amounts stated in € '000 (unless indicated otherwise)

Several sensitivity analysis has been carried out for a change in growth percentage (lower growth rates) and did not result in a materially different outcome of the impairment test. Goodwill mainly relates to the goodwill resulting from the acquisition of Novagraaf Group at 30 January 2017.

2. Other intangible assets

2017	Brand Valuation	Technology	Customer Relationships	Total
Balance as at 21st December 2016	-	-	-	-
Acquisition	-	-	-	-
Addition	8,240	2,393	38,581	49,214
Amortisation	(378)	(439)	(2,118)	(2.935)
Impairment charge	-	-	-	-
Exchange rate differences	-	-	-	-
Balance as at December 31	**7,862**	**1,954**	**36,463**	**46,279**

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.

Customer relationships

Customer relations relates to a wide variety of clients, serving Global, Corporate, Local/SME and other customers in its key geographies the Netherlands, Belgium, France, UK and Switzerland. Corporate customers represent the largest share of its customer base and of the company's total revenues. Historical customer retention has been above 95%, with long-lasting customer relationships of over 12 years and is considered very loyal.

Only the part of revenues related to existing customers are taken into account for the valuation of customer relationships. Management assumes that only revenues related to new sales initiatives will be generated with new customers, while the remaining revenues in 2017 fully relate to existing customers. Customer relation is amortised between 9 to 26 years based on each customer group.

All amounts stated in € '000 (unless indicated otherwise)

3. Property, Plant and Equipment

The Property, Plant and Equipment and the movements are as follows:

2017	Leasehold improvements	Office equipment	Computers	Software	Total
Balance at cost as at 21st December 2016	-	-	-	-	-
Acquisition through business combinations	818	2,133	844	4,333	8,128
Additions	11	40	109	1,719	1,879
Disposal	-	-	(29)	-	(29)
Reclassification	-	-	-	-	-
Exchange rate differences	(2)	(13)	(8)	(31)	(54)
Balance as at December 31	**827**	**2,160**	**916**	**6,021**	**9,924**
Balance depreciation as at 21st December 2016	-	-	-	-	-
Acquisition through business combinations	(391)	(978)	(666)	(3,237)	(5,272)
Depreciations	(98)	(257)	(90)	(539)	(984)
Disposal	-	-	29	-	29
Reclassifications	-	-	-	-	-
Exchange rate differences	-	12	11	22	45
Balance depreciation as at December 31	**(489)**	**(1,223)**	**(716)**	**(3,754)**	**(6,182)**
Net value as at December 31	**338**	**937**	**200**	**2,267**	**3,742**

4. Other long-term assets

The movements in these long-term assets can be specified as follows:

2017	Rental Deposits	Derivatives	Loans	Other amounts receivable	Total
Balance as at 21st December 2016	-	-	-	-	-
Acquisition through business combinations	235	-	-	30	265
Additions	42	58	175	-	275
Received	-	-	-	(17)	(17)
Disposals	-	-	-	-	-
Exchange rate differences	(2)	-	-	-	(2)
Balance as at December 31	**275**	**58**	**175**	**13**	**521**

All amounts stated in € '000 (unless indicated otherwise)

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. Further details of the fair value and the level of the other long – term assets are disclosed in note 9.1 and 9.2.

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

5. Trade debtors

	2017
Trade debtors	16,739
Allowance for doubtful debts	(440)
Total	16,299

Age of trade debtors that are past due but not provided

	2017
61 – 180 days	2,511
181 – 360 days	1,035
361 + days	248
Total	3,794

Age of trade debtors that are past due and provided

	2017
61 – 180 days	10
181 – 360 days	29
361 + days	401
Total	440

All amounts stated in € '000 (unless indicated otherwise)

The Trade debtors include a provision for doubtful accounts of € 440. The company has recognised an provision for doubtful accounts based on individual assessment of each trade debtor. The movements in the allowance for doubtful debts are as follows:

	2017
Book value as at 21st December 2016	-
Acquisition through business combinations	546
Additions to the provision	163
Expenditures paid from the provision	(255)
Exchange rate differences	(14)
Book value as at 31 December	**440**

Further details of the fair value and the level of the other long – term assets are disclosed in note 9.2.

6. Other receivables, prepayments and accrued income

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. The other receivables, prepayments and accrued income have a term shorter than one year and can be specified as follows:

	2017
Work in progress	**3,655**
Cash advances to National trade offices	**638**
VAT	**151**
Other receivables, prepayments and accrued income	**838**
	5,282

7. Cash

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

All amounts stated in € '000 (unless indicated otherwise)

8. Group equity

The composition of the group equity and its movements for the year 2017 are as follows:

8.1 Authorised, issued and paid up share capital

	2017
Authorised share capital	**60,000**
Share capital issued and paid up	**60,000**

The authorised share capital amounts to 60,000 comprising:

5,000,000 Ordinary Shares with a nominal value of € 0,01 (one euro cent) of which 5,000,000 have been issued and fully paid up,

1,000,000 Cumulative Preference shares with a nominal value of € 0,01 (one euro cent) of which 1,000,000 have been issued and fully paid up,

	2017
Balance at 21st of December 2016	-
Additions	60
Balance at 31 December	**60**

8.2 Share Premium

	2017
Balance at 21st of December 2016	-
Additions	40,828
Balance at 31 December	**40,828**

8.3 Retained Earnings / Accumulated losses

	2017
Balance at 21st of December 2016	-
Additions	-
Results for the year	(953)
Balance at 31 December	**(953)**

All amounts stated in € '000 (unless indicated otherwise)

8.4 Cumulative translation adjustment

	2017
Balance at 21ste of December 2016	-
Additions	-
Exchange rate adjustments during the year	(106)
Balance at 31 December	**(106)**

8.5 Pension reserve

	2017
Balance at 21st December 2016 (gross)	-
Balance at 21st December 2016 (tax)	-
Balance at 21st December 2016 (net)	**-**
Movement during the year (gross)	91
Movement during the year (tax)	(14)
Movement during the year (net)	**77**
Balance at 31 December (gross)	91
Balance at 31 December (tax)	(14)
Balance at 31 December (net)	**77**

The pension reserve relates to fair value changes in the Defined Benefit Plans of employees in Switzerland.

All amounts stated in € '000 (unless indicated otherwise)

9. Long-term debts

Debts to credit institutions and shareholders

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:

2017	**Senior Term Facility**	**Loan fees**	**Shareholder loan**	**Total**
Balance principal loans	-	-	-	-
Short term loans	-	-	-	-
Total amount 21 December 2016	-	-	-	-
Acquisition	47,500	(1,030)	13,932	60,402
Redemption	(2,000)	-	(2,500)	(4,500)
Reductions	-	145	-	145
Accretion	-	-	618	618
Principal per December 31	**45,500**	**(885)**	**12,050**	**56,665**
Short term loans December 31	(2,500)	159	-	(2,341)
Balance as per December 31	**43,000**	**(726)**	**12,050**	**54,324**
Of which is long-term within 5 years	**15,500**	**(634)**	-	**14,866**

The following table reports the remaining contractual maturity:

2017	**Less than 1 month**	**1 - 3 months**	**3 months to 1 year**	**1 – 5 Years**	**More than 5 years**	**Total**
Senior Term Facility	-	-	2,500	15,500	27,500	45,500
Loan fees	-	-	(159)	(634)	(92)	885
Shareholder loan	-	-	-	-	12,050	12,050
Balance as per December 31	-	-	**2,341**	**14,866**	**39,458**	**56,665**

Accretion

This item consists of € 618 non cash interest (PIK) which is accrued on the loans.

Reductions

Relates to prepaid loan fees of EUR 145 which are charged to the statement of income during the period of the loan (until January 31, 2024).

The following table details changes in the liabilities arising from financing activities;

All amounts stated in € '000 (unless indicated otherwise)

2017	**Opening balance**	**Financing cash flows**	**Other Changes**	**Closing balance**
Senior Term facility	-	45,500	-	45,500
Loan Fees	-	(1,030)	145	(885)
Shareholder loan	-	11,432	618	12,050
	-	**55,902**	**763**	**56,665**

Facilities at 31 December 2017

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 € 137,823 have been pledged as security for the Senior Facilities and the Mezzanine Loan.

9.1 Derivatives carried at fair value

Based on IFRS 7 Financial instruments: Disclosures, the following table provides an analysis of financial instruments, that are measured at fair value. IFRS 7 groups financial instruments that are measured at fair value into 3 levels, based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted market prices in active markets for identical assets or liabilities;

Level 2 fair value measurements are these derived from inputs other than quoted prices included in Level 1 that are observable for (similar) assets or liabilities;

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data.

All amounts stated in € '000 (unless indicated otherwise)

The Interest Rate Cap is the only financial instrument recognized that is measured at fair value. The fair value measurement is considered to be a level 2 valuation, prepared by NIBC and ABNAMRO. The Interest Rate Cap matures end of June 2020 and June 2021.

Level 2 reconciliation	**2017**
Balance at 21 December	-
Total gains and losses	
- in income statement	58
- in other comprehensive income	-
Transfers in or out of level 3	-
Balance at 31 December	**58**

The Level 2 valuation is based on the following inputs: 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.

Valuation techniques and key inputs: Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

9.2 Disclosures by class of financial instruments

The following table presents the estimated fair values of the Group's financial assets and liabilities. Management consider that the carrying amounts of assets and liabilities at amortized costs recognised in the consolidated financial statements approximate their fair values, determined by using the discounted cash flow model. For long-term debts the fair value is determined using the same valuation techniques whereby the discount factor approximates the interest rate on the long-term debts.

Certain balance sheet items are not included in the table, as they do not meet the definition of a financial asset or liability.

All amounts stated in € '000 (unless indicated otherwise)

2017	Available for sale	Fair value through OCI	Loans and receivables at Fair value	Assets and liabilities at amortised costs	Total estimated fair value
Other financial assets	-	-	-	521	521
Trade debtors	-	-	-	16,299	16,299
Other receivables	-	-	-	5,282	5,282
Total Assets	**-**	**-**	**-**	**22,102**	**22,102**
Long-term debts	-	-	-	54,324	54,324
Retirement benefit obligation	-	-	-	1,370	1,370
Trade and other creditors	-	-	-	10,283	10,283
Current portion of long-term debts	-	-	-	2,341	2,341
Other current liabilities	-	-	-	12,697	12,697
Total Liabilities	**-**	**-**	**-**	**81,015**	**81,015**

9.3 Financial Risk Management objectives and Policies

The Group is mainly exposed to market risks, credit risks and liquidity risks. The management of PP European IP Management B.V. reviews and agrees policies for managing each of these risks which are summarised below.

Market Risks

The market risks for the Group are mainly reflected in foreign currency risks and interest rate risks. Although the Group main currency is Euro, the group undertakes transactions denominated in foreign currencies (GBP, USD, CHF). Fluctuations in USD compared to Euro is currently not hedged at Group level and are not expected to be significant to the group as a whole.

The interest rate change risk is reflected mostly in the refinancing costs of PP European IP Management B.V. It is evident because of the uncertain development of corresponding refinancing rates in money and capital markets.

Interest rate risk table

The following table demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the profit before tax (through the impact on floating rate borrowings).

All amounts stated in € '000 (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	88
Euro	+20	117
Euro	-15	(88)
Euro	-20	(117)

Credit risks / default risks

Credit or default risks occur when one contract party does not fulfil its contractual payment obligations to the other party.

With respect to trade receivables, PP European IP Management B.V. does not feel exposed to any substantial default risks with regard to any individual contractual party. This limited default risk also balanced by the fact that many debtors are also a creditor.

The credit risk associated with cash and cash equivalents is limited by the fact that the respective contracts only exist with contractual parties or banks that have good credit ratings.

Liquidity risks

Ultimate responsibility for liquidity risks rest with the management board of the group. The group manages liquidity risks by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring weekly forecasts and actual cash flows and by matching with maturities of assets and liabilities. The maturities of the financial assets and liabilities have been disclosed in the notes to specific balances.

Capital management

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 2017. 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 8).

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, 2017.

All amounts stated in € '000 (unless indicated otherwise)

10. Retirement benefit obligation

The retirement benefit obligation can be specified as follows:

	2017
Balance at 21st of December 2016	-
Short term at 21st of December 2016	-
Principal amount 21ste of December 2016	-
Acquisitions	1,283
Additions	255
Fair value movement	(91)
Usage	-
Exchange rate differences	(77)
Principal per December 31	**1,370**
Short term December 31	-
Balance as per December 31	**1,370**

The retirement benefit obligation relates to pension plans in Switzerland EUR 786 and France EUR 584.

11. Provisions

This consists of litigation provision of € 23.

12. Other current liabilities and accruals

The other current liabilities and accruals have a term shorter than one year and can be specified as follows:

	2017
Social insurance contributions and taxes	**2,365**
Work in progress	**3,535**
Wages related payables	**2,098**
Accrued interest	**4**
Pension commitments	**52**
Other liabilities, accruals and deferred income	**4,643**
	12,697

Social insurance contributions and taxes

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

All amounts stated in € '000 (unless indicated otherwise)

Other liabilities, accruals and deferred income

This item includes other liabilities, accruals and deferred income.

13. Contingent liabilities and commitments

As at December 31, 2017 the Company has the following commitments

	Total	Short 1 year	Between 2 and 5 years	Over 5 years	Expensed Current year
Operational leases	552	282	270	-	319
Office Rent	7,084	1,855	4,658	571	1,989
Total	7,636	2,137	4,928	571	2,308

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.

All amounts stated in € '000 (unless indicated otherwise)

Notes to the Consolidated statement of income for the year ended December 31, 2017

14. Revenue

Revenue 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.

15. External charges

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.

16. Salaries and wages

Employees
The average number of employees during the year is 294 employees on FTE basis, of which 113 employees in the Netherlands. The employees can be functionally divided as follows:

	2017
Consultants	75
Direct support staff	163
Other	56
	294

17. Social insurance costs

The social insurance costs includes pension costs and be specified as follows:

	2017
Social charges	3,857
Pension premiums	1,231
Fair value movement pension	95
	5,183

All amounts stated in € '000 (unless indicated otherwise)

18. Other operating expenses

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

The fees relating to the procedures applied to the Company and its consolidated group entities by Deloitte Accountants B.V. and other Deloitte member firms and affiliates. The fees of the external auditor as referred to in Section 1(1) of the Dutch Accounting Firms Oversight Act (Dutch acronym: Wta), amounts to € 202. The expenses can be specified as follows:

Deloitte	**2017**
Audit	**169**
Tax fees	**-**
Other non assurance	**33**
	202

19. *Finance costs and foreign exchange results*

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

	2017
Finance costs	**2,412**
Foreign exchange results	**96**
Amortisation prepaid loan fees	**145**
	2,653

20. Taxation

The consolidated effective tax gain for the period 21 December 2016 until 31 December 2017 amounts to € 93. In the 'Financial assets' a total amount of € 139 is included as deferred tax asset. This tax asset recorded in the Switzerland relates tax impact on the Swiss Defined Benefit plans against a CIT rate of 15%.

For Dutch corporate tax purposes PP European IP management B.V does not belong to a Dutch fiscal unity. The Dutch fiscal unity consists of Novagraaf Group B.V., Novagraaf IP NL B.V. and Novagraaf Nederland B.V. For French corporate tax purposes, a fiscal unity exists between Novagraaf Acquisition France SAS, Novagraaf Technologies SA, Novagraaf France SA and Novagraaf Europe BV.

All amounts stated in € '000 (unless indicated otherwise)

Effective tax rate

	2017	%
Result before taxation	(1,046)	
Expected tax charge based on Dutch tax rate	262	25
Non-deductible expenses (goodwill impairments)	-	-
Non-deductible expenses (fair value pensions)	-	-
Tax effect NL on capital expenditures & other	178	17
Effect on tax charge due to other nominal tax rates	78	8
No deferred tax assets on losses in NL	(335)	(32)
No deferred tax assets on losses in France	(14)	(1)
No deferred tax assets on losses in UK	107	10
Other	(183)	(18)
	93	9

Other includes a French local business tax called "CVAE" of €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 as defined in IAS 12 "Income Tax" and related expenses are reported on the line "taxation".

Tax position

Current tax liabilities

	2017
CIT payable	130
Other	-
Total	130

Deferred tax balances

The following is the analysis of deferred tax assets and liabilities presented in the consolidated statement of financial position:

	2017
Deferred tax assets	139
Deferred tax liabilities	(12,160)
Total	(12,021)

All amounts stated in € '000 (unless indicated otherwise)

2017

	Balance at acquisition	Recognised in Income	Recognised in OCI	Currency translation adjustment	Closing balance
Pension reserve	152	-	-	(13)	139
Other intangible assets	(12,886)	726	-	-	(12,160)
Total	**(12,734)**	**726**	**-**	**(13)**	**(12,021)**

Unrecognised deductible temporary differences, unused tax losses and unused tax credits

	2017
Unused tax losses	**19,689**
Unused tax credits	**(253)**
Other	**-**
Total	**19,436**

The period for tax loss compensation is indefinite.

21. Related Party transactions

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 are disclosed below. Reference is made to note 9 regarding loans with related parties and note 21.1 remuneration key personnel.

Transactions with related parties

* this includes related parties as its shareholders and key personnel of the Group. Related party transactions relate to shareholder loans and remunerations.

Balances outstanding at year end with related parties

* this includes related parties as its shareholders and key personnel of the Group. Related party transactions relate to shareholder loans and remunerations.

All amounts stated in € '000 (unless indicated otherwise)

21.1 Remuneration of directors

The remuneration of Management Board members during the year was as follows:

	2017
Management Board	
Short-term benefits	-
Post-employment benefits	-
Total	-

Short-term benefits may include salaries, housing, social security, medical expenses, lease cars and other.

22. Business combinations

The following table details the acquisitions of business combinations;

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
Novagraaf Group B.V.	IP management	30/01/2017	100%	102,311
NovumIP	IP software solutions	22/01/2018	100%	962
Total				**103,273**

The Acquisition of NovumIP is not part of the 2017 consolidated annual report due to acquisition date of early 2018.

The following table details the consideration;

	Novagraaf Group BV	NovumIP
Cash	102,311	962
Other	-	-
Total	**102,311**	**962**

All amounts stated in € '000 (unless indicated otherwise)

Assets acquired and liabilities recognised at the date of acquisition;

	Novagraaf Group BV
Non current assets	
Other intangible assets	52,547
Property, plant and equipment	2,856
Deferred tax	382
Other long-term assets	266
Current assets	
Trade debtors	18,703
Other receivables, prepayments and accrued income	8,821
Cash and cash equivalents	-
Non current liabilities	
Long term debts	(57,902)
Long term tax liabilities	(13,758)
Retirement benefit obligation	(1,277)
Provisions	(29)
Current liabilities	
Trade and other creditors	(10,054)
Current portion of long term debts	-
Credit institutions	(1,436)
Other current liabilities and accruals	(16,932)
Total	**17,813**

Acquisition-related costs amounting to € 1,341 have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year, within the 'other operating expenses' line item.

23. Events after the reporting period

On 22 January 2018 the company announced that it has acquired 100% of the NovumIP software solution from Fusion Experience. The acquisition is an important milestone in Novagraaf's strategic drive to provide market-leading and technology-enabled IP services to clients.

Amsterdam, 12 December, 2018

Board of Management:

Dr. K. von Moeller

M. Sabljo

PP European IP Management B.V.

Company Financial Statements

All amounts stated in € '000 (unless indicated otherwise)

Company Statement of Financial Position at December 31, 2017

((after result appropriation)	Note	31/12/2017
Assets		
Non-current assets		
Goodwill	1	**62,148**
Investments in Group companies	2	**-**
Total non-current assets		**62,148**
Current assets		
Other receivables, prepayments and accrued income		**16**
Cash and banks		**254**
Total current assets		**270**
Total assets		**62,418**
Equity and Liabilities		
Equity	3	**39,906**
Provision for Group companies	4	**7,878**
Non-current liabilities		
Long-term debts	5	**12,050**
Total non-current liabilities		**12,050**
Current liabilities		
Trade and other payables		**2,584**
Total current liabilities		**2,584**
Total equity and liabilities		**62,418**

All amounts stated in € '000 (unless indicated otherwise)

Company Statement of Income over the period 21 December 2016 to 31 December 2017

	Note	21-12-2016 - 31-12-2017
Income after tax from Group companies		387
Other expenses		(1,340)
Loss for the period		**(953)**

Notes to the Company financial statements for the year ended December 31, 2017

General information

PP European IP Management B.V. (registration no 67525091), having its legal seat at Hoogoorddreef 5, Amsterdam, The Netherlands, is the parent company of the Group.

The company was incorporated on December 21, 2016.

The Company financial statements are part of the consolidated financial statements, which are also included in the annual report. The Company income statement has been rendered in abbreviated form pursuant to Book 2, Article 402 of the Dutch Civil Code.

The Company financial statements were authorised for issue by the Board of Management on 12 December, 2018.

Summary of significant accounting policies

Basis of presentation

The Company financial statements have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In the preparation of the Company annual financial statements, the provisions of Article 362, Subsection 8 of Book 2 of the Dutch Civil Code have been applied. The valuation principles for assets and liabilities and the method of determining the result are identical to those applied in the consolidated financial statements except for accounting for investments in Group companies as disclosed in the following note. Reference is made to the notes thereto.

All amounts in the notes are shown in thousands of Euro (EUR), rounded to the nearest thousand, unless otherwise stated.

Investments in Group companies

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. 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.

All amounts stated in € '000 (unless indicated otherwise)

Notes to the Company statement of financial position for the year ended December 31, 2017

1. Goodwill

	2017
Cost as at January 30, 2017	**62,148**
Accumulated impairment losses	-
Balance as at December 31	**62,148**

	2017
Balance as at 21st December 2016	-
Acquisition	**62,148**
Impairment charge	-
Balance as at December 31	**62,148**

Goodwill is tested for impairment annually. Goodwill is impaired if the recoverable amount of the cash-generating unit to which it is allocated is lower than the book value of the cash-generating unit concerned including goodwill. The recoverable amount is defined as the fair value of unit. The fair value was determined based on the net present value of the future cash flows expected to be derived from the cash-generating unit. The future expected cash flows are discounted at the weighted average cost of capital. The key assumption used in the cash flow projections is based on financial budgets approved by the directors covering a 2 years period, growth of sales of 1,5% and estimated capital expenditure together with the rate used for discounting the cash flow projections (WACC post tax of 9,4% and pre tax WACC per country in a range between 12,5% - 14,2%).

Based on the calculation for 2017, the Company has decided not to impair the goodwill.

Goodwill mainly relates to the goodwill resulting from the acquisition of Novagraaf Group at 30 January 2017.

All amounts stated in € '000 (unless indicated otherwise)

2. Investments in Group companies

The following table shows the changes in investments in group companies valued using the equity method:

	2017
Balance as at 21st December 2016	-
Acquisition	(8,841)
Net result of group companies	387
Investment in current group companies	-
Additions in receivables group companies	631
Reclassification to provision for group companies	7,878
Redemption receivables on group companies	-
Fair value pensions	77
Exchange rate differences	(132)
Other	-
Balance as at December 31	-

The Investments in group companies compromises the net balance of participating interests and receivables on group companies.

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

Name	Location	Share in issued capital %
Novagraaf Group B.V.	Amsterdam, the Netherlands	**100.0**

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

Name	Location	Share in issued capital %
Novagraaf IP-NL B.V.	Amsterdam, the Netherlands	**100.0**
Novagraaf Nederland B.V.	Amsterdam, the Netherlands	**100.0**
Novagraaf IP-UK Ltd.	London, United Kingdom	**100.0**
J.E. Evans Jackson & Co. Ltd	London, United Kingdom	**100.0**
QED Ltd	London, United Kingdom	**100.0**
NovumIP Ltd	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**

All amounts stated in € '000 (unless indicated otherwise)

All direct and indirect capital interests mentioned above are consolidated companies. Pursuant to Section 2:403 of the Dutch Civil Code a liability declaration has been issued regarding the consolidated group companies Novagraaf Group B.V., Novagraaf IP NL B.V. and Novagraaf Europe B.V.

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) and Novagraaf IP UK Limited (company number 04021839) are exempt from the requirement to audit its individual accounts in accordance with section 479A of the Companies Act 2006.

3. Company equity

The total amount of equity in the Company financial statements equals the shareholders' equity in the consolidated financial statements. The following equity reserves are legal reserves and therefore not distributable; cumulative translation adjustment reserve and cash flow hedging reserve.

Period 21-12-2016 - 31-12-2017	**Share capital issued and paid up**	**Share premium**	**Retained earnings / Accumulated losses**	**Cumulative translation adjustment**	**Pension reserve**	**Result for the year**	**Total**
Balance as at 21 December 2016	-	-	-	-	-	-	-
Incorporation	**50**	**40,828**	-	-	-	-	**40,878**
Comprehensive income							
Exchange rate differences on net equity of foreign subsidiaries	-	-	-	(106)	-	-	(106)
Loss for the period	-	-	-	-	-	(953)	(953)
Movements	-	-	-	-	77	-	77
Comprehensive income subtotal	-	-	-	***(106)***	***77***	***(953)***	***(982)***
Increase	10	-	-	-	-	-	10
Allocation of result to accumulated losses	-	-	(953)	-	-	953	-
Balance as at 31 December 2017	**60**	**40,828**	**(953)**	**(106)**	**77**	-	**39,906**

All amounts stated in € '000 (unless indicated otherwise)

3.1 Authorised, issued and paid up share capital

	2017
Authorised share capital	**60,000**
Share capital issued and paid up	**60,000**

The authorised share capital amounts to 60,000 comprising:

5,000,000 Ordinary Shares with a nominal value of € 0,01 (one euro cent) of which 5,000,000 have been issued and fully paid up,

1,000,000 Cumulative Preference shares with a nominal value of € 0,01 (one euro cent) of which 1,000,000 have been issued and fully paid up,

	2017
Balance at 21st of December 2016	-
Additions	60
Balance at 31 December	**60**

3.2 Share Premium

	2017
Balance at 21st of December 2016	-
Additions	40,828
Balance at 31 December	**40,828**

3.3 Retained Earnings / Accumulated losses

	2017
Balance at 21st of December 2016	-
Additions	-
Results for the year	*(953)*
Balance at 31 December	**(953)**

All amounts stated in € '000 (unless indicated otherwise)

3.4 Cumulative translation adjustment

	2017
Balance at 21ste of December 2016	-
Additions	-
Exchange rate adjustments during the year	(106)
Balance at 31 December	**(106)**

3.5 Pension reserve

	2017
Balance at 21st December 2016 (gross)	-
Balance at 21st December 2016 (tax)	-
Balance at 21st December 2016 (net)	**-**
Movement during the year (gross)	91
Movement during the year (tax)	(14)
Movement during the year (net)	**77**
Balance at 31 December (gross)	91
Balance at 31 December (tax)	(14)
Balance at 31 December (net)	**77**

<u>Proposed appropriation of result for the financial year 2017</u>
Management proposes to charge the loss for the financial year 2017 of € 953 to the other reserves. These financial statements have been drawn-up in accordance with this proposal.

All amounts stated in € '000 (unless indicated otherwise)

4. Provision 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.

5. Long-term debts

Debts to shareholders

At 30 January, 2017 PP European IP Management BV entered into a new a Shareholder loan of EUR 11.4M as part of the acquisition of the entire Novagraaf Group by Paragon Partners GmbH and can be specified as follows:

2017	**Shareholder loan**
Balance as at 21st December 2016:	
Principal loan	-
Short term loan	-
Principal amount	-
Additions	11,432
Accretion	618
Fair value movement	-
Principal per December 31	**12,050**
Short term loans December 31	-
Balance as per December 31	**12,050**
Of which is long-term within 5 years	-

The majority of the assets € 62,148 and the shares of PP European IP Management BV have been pledged as security for the Senior Facilities.

6. Taxation

The taxation for PP European IP Management B.V. is equal to the consolidated taxation. We refer to the consolidated financial statements, note 20 Taxation.

7. Remuneration of directors

The remuneration of Management Board members during the year was as follows:

	2017
Management Board	
Short-term benefits	-
Post-employment benefits	-
Total	-

Short-term benefits may include salaries, housing, social security, medical expenses, lease cars and other.

Employees
The Company has no employees.

8. Contingent liabilities and commitments

The legal entity has guaranteed liabilities of (certain consolidated) group companies, as meant in article 2:403 of the Netherlands Civil Code. The legal entity is therefore jointly and severally liable for the liabilities arising from the legal acts of those group companies.
The parent company is not part of a fiscal unity for corporate income tax but is part of a fiscal unity for VAT purposes and for that reason it is jointly and severally liable for the tax liabilities of the whole fiscal unity.

9. Events after the reporting period

On 22 January 2018 the company announced that it has acquired the NovumIP software solution from Fusion Experience. The acquisition is an important milestone in Novagraaf's strategic drive to provide market-leading and technology-enabled IP services to clients.

Amsterdam, 12 December, 2018

Board of Management:

Dr. K. von Moeller

M. Sabljo

Other information

Profit allocation according to the Articles of Association
Articles 16 of the Articles of Association of the Company state that:

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 païd 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.

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.

The independent auditor's report is set forth on the next pages.

Deloitte.

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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 2017 INCLUDED IN THE ANNUAL ACCOUNTS

Our opinion

We have audited the accompanying financial statements for 2017 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 2017, and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. The consolidated and company statement of financial position as at 31 December 2017.
2. The following statements for 2017: the consolidated and company income statement, the consolidated and company statements of comprehensive income, changes in equity and cash flows.
3. The notes comprising a summary of the significant 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 EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), 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.

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REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS

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

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

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 report of the Board of Management 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 and Board of Management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and 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 frameworks 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.

The Board of Management is responsible for overseeing the company's financial reporting process.

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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.

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We communicate with the Board of 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, December 14, 2018

Deloitte Accountants B.V.

Initials for identification purposes:

R. Nolte