

Notes to the consolidated financial statements

1. General information

Cryo-Save Group N.V. (the Company) is a limited company incorporated in the Netherlands. The address of its registered office and principal place of business is IJsselkade 8, NL-7201 HB Zutphen, The Netherlands.

On 16 May 2007, the Company changed its name to Cryo-Save Group N.V.

2. Change in presentation and classification Income Statement Expenses based on their function

As of financial reporting year 2007 the Company presents the expenses using a classification based on their function rather than the nature of the expenses. Expenses classified according to their function provide more relevant information to users of the financial statements than the classification of expenses by nature, as it improves the comparability of the Company's figures with its peers. The 2006 comparative figures have been reclassified.

The main reclassifications were:

- Marketing & Sales expenses were reclassified from Employment benefits expenses and Administration expenses;
- Research & Development expenses were reclassified from Employment benefits expense;
- Other gains and losses were reclassified to Finance income
- Distribution expenses were reclassified to General and Administrative expenses;
- Employment benefits expense were reclassified to the respective functions;

3. Significant accounting policies

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) prevailing per December 31, 2007, as adopted by the International Accounting Standards Board (IASB) and as endorsed for use in the European Union by the European Commission as at December 31, 2007, and are prepared on a historical cost basis unless stated otherwise.

The financial statements for the year ended 31 December 2007 were authorized for issue by the Board of Directors on March 31, 2008.

Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiaries and the Group's interest in associates and jointly controlled entities. All intragroup balances and transactions are eliminated.

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at their acquisition date. The excess of the cost of an acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill.

Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Joint ventures are recognized using proportionate consolidation from the date that joint control commences until the date that joint control ceases.

Associates

Associates are all entities over which the Group has significant influence but not control over the financial and operating policies, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment losses) identified on acquisition. Associates are recognized from the date on which the Group has significant influence, and recognition ceases from the date the Group has no significant influence over an associate. The Group's share of its associates post-acquisition profits or loss is recognized in the Income Statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. If the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other long-term interests, the Group discontinues recognizing its share of further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Minority interests

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination, and the minority's share of changes in equity, since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group only to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Foreign currencies

Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Euro('EUR'), which is the Group's functional currency and the presentation currency for the consolidated financial statements.

Foreign currency transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded, on initial recognition at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Exchange differences, arising on the settlement of monetary items and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

Financial statements of Group companies

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Euro's using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the

Group's currency translation reserve. Such exchange differences are recycled through profit or loss in the period in which the foreign operation is disposed of.

Net investment in foreign operations

Net investment in foreign operations includes equity financing and long-term intercompany loans for which settlement is neither planned nor likely to occur in the foreseeable future. Exchange rate differences arising from the translation of the net investment in foreign operations, and of related hedges are taken to the currency translation reserve in shareholders' equity directly.

When a foreign operation is disposed of, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on disposal.

Business combinations

When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events (earn outs or deferred acquisition payments), the Group includes the amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Initially the fair values are determined provisionally, and will then be subject to change based on the outcome of the purchase price allocation which takes place within 12 months of the acquisition date.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill recognized for acquisitions represents the consideration made by the Group in anticipation of the future economic benefits from assets that are not capable of being individually identified and separately recognized. These future economic benefits relate to, for example, opportunities with regard to cost efficiencies such as sharing of infrastructure.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Such goodwill is carried at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity that is sold.

Goodwill acquired in a business combination is not amortized. Instead, the goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Internally generated intangible assets

Internally generated intangible assets relate to the development costs of new products, and represents the sum of expenditures incurred from the date when the intangible asset first meets the recognition criteria under IFRS. These expenditures comprise all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. These costs are mainly costs of materials and services used or consumed in generating the intangible asset, and costs of employee benefits arising from the generation of the intangible asset.

Internally generated intangible assets are stated at cost less accumulated amortization and any impairment losses. Amortization begins when the assets are available for use. The estimated useful life of internally generated intangible assets is 3 years. The amortization method applied is the unit of production method which reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group.

An intangible asset arising from development or from the development phase of an internal project is recognized only if the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale and comply with the following other requirements: the intention to complete the development project; the ability to sell or use the product; demonstration of how the product will yield probable future economic benefits; the availability of adequate technical, financial, and

other resources to complete the project; and the ability to reliably measure the expenditure attributable to the project.

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

No intangible asset from research or from the research phase of an internal project is recognized. Expenditure on research or the research phase of an internal project is recognized as an expense when incurred.

Property, plant and equipment

Property, plant and equipment, consisting of land and buildings, lab equipment, and other assets such as computer and office equipment and vehicles, is valued at cost less accumulated depreciation and any impairment losses.

Depreciation is charged to the income statement, over their estimated useful life, using the straight-line method on the following bases:

| | |
|----------------------|-------------|
| Buildings | 20-30 years |
| Laboratory equipment | 5 years |
| Computer equipment | 3 years |
| Office equipment | 5 years |
| Vehicles | 5 years |

Land is not depreciated

The 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 non-current assets

At each balance sheet date, the Group reviews the carrying amounts of its non-current 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. Where it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where 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.

Recoverable amount is the higher of fair value less costs to sell 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 risk 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 recognized 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized 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.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Financial assets

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified as loans and receivables.

- Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

- Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

- Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date.

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

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 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.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Inventories

Inventories are assets in the form of materials or supplies to be consumed in the collection and extraction process or in the rendering of services. Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Trade and other receivables

Trade and other receivables are initially carried at their fair value and subsequently measured at cost less any impairment. Trade and other receivables which are not expected to be realized within twelve months after the balance sheet date are classified as non-current assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Deferred revenue

Deferred revenue represents the part of the amount invoiced to customers that has not yet met the criteria for revenue recognition and thus still has to be earned as revenues, by means of delivery of services in the future. Deferred revenue is recognized at its present value. Deferred revenue that relates to services which are not expected to be rendered within twelve months after the balance sheet date are classified as non-current liabilities.

Trade and other payables

Trade and other payables are stated at cost.

Taxation

Income tax expense represents the sum of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, and any adjustment to tax payable in respect of previous years. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and 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 assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities 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 balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Shareholders' equity

When share capital recognized as equity is repurchased (treasury shares), the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. The company repurchases shares in stock to cover the dilutive effect of stock options. Dividends are recognized as a liability upon being declared.

Minority interest

Minority interest is the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Group.

Defined contribution plans

The pension contribution of defined contribution plans is recognized as an expense in the income statement as it is incurred.

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for deferred income, rebates and other similar allowances.

Revenue in respect of fees charged for stem cell extraction is recognised on the day of extraction.

Revenue earned in respect of stem cell storage is recognised evenly over the storage period, over which time an appropriate margin is also recognised.

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Government grants

Government grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with the conditions attaching to them. Government grants related to income are deducted in reporting the related expense. Government grants related to an asset, are presented in the balance sheet by setting up the grant as deferred income, and are released to the income statement over the expected useful life of the relevant asset by equal annual installments.

Cost of sales

Cost of sales comprises the directly attributable costs of goods and services sold and delivered. These costs include such items as the cost of collection of the cord blood, sales commission to business partners and laboratory materials.

Marketing and sales expenses

Marketing and sales expenses include all costs that are directly attributable to marketing and sales activities. Examples of directly attributable costs are costs of employee benefits and costs of materials and services used or consumed.

Research and development expenses

Research and development expenses, the latter as far as not capitalized, include all costs that are directly attributable to research and development activities for new products. Examples of directly attributable costs are costs of employee benefits, costs of materials and services used or consumed in generating the new product.

General and administrative expenses

General and administrative expenses include costs which are neither directly attributable to Cost of sales nor to Marketing and sales and Research and development.

Share-based payments

The Group's share option scheme qualifies as an equity-settled share-based payment. The fair value of share options awarded is recognized as an expense with a corresponding increase in equity. The fair value is measured at the grant date and spread equally over the period during which the employees become unconditionally entitled to the shares. The fair value of the share options is measured using a binomial option valuation model, taking into account the terms and conditions upon which the share options were awarded. The amount recognized as an expense is adjusted to reflect the actual forfeitures due to participants' resignation before the vesting date.

Finance income and costs

Finance income and costs comprise interest receivable on deposits, interest receivable on funds invested calculated using the effective interest rate method, foreign exchange gains and losses, and bank costs.

4. Application of new or Revised International Financial Reporting Standards

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2007, and have not been applied in preparing these consolidated financial statements:

Revised IFRS 3 Business Combinations (not yet adopted by the EU): The revised IFRS3 was issued in January 2008 and is effective for the fiscal years beginning on or after July 1, 2009. Some of the main amendments in the revised IFRS 3 concern the cost of business combinations, the adjustment of the cost of a business combination depending on future events, the determination of the amount of goodwill and the treatment of successive business combinations. Business combinations to date are not affected.

IFRS 8 Operating segments: IFRS 8 was published in November 2006 and is effective for the first time for fiscal years beginning on or after January 1, 2009. IFRS 8 prescribes entities the disclosure of financial and descriptive information for reportable segments.

Revised IAS 1 Presentation of Financial Statements - A Revised Presentation (not yet adopted by the EU): The revised IAS 1 was issued in September 2007 and is effective for the first time for fiscal years beginning on or after January 1, 2009. The amendments primarily concern the presentation of financial statements and comparative information.

Revised IAS 23 Borrowing costs (not yet adopted by the EU): The revised IAS 23 was issued in March 2007 and is effective for the first time for fiscal years beginning on or after January 1, 2009. The Standard prescribes entities to capitalize borrowing costs attributable to a qualifying asset.

IFRIC 11, IFRS 2 - Group and Treasury Share transactions: IFRIC 11 was issued in November 2006 and is effective for the first time for fiscal years beginning on or after March 1, 2007. The Interpretation governs the treatment of the granting of equity instruments to employees when the entity buys the equity instruments from a third party or the entity's shareholders provide the equity instruments needed.

IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (not yet adopted by the EU): IFRIC 14 was issued in July 2007 and is effective for the first time for fiscal years beginning on or after January 1, 2008. IFRIC 14 provides general guidelines for determining the upper limit of a defined benefit asset recognized pursuant to IAS 19.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the net assets, financial position and results of operations or cash flows of the Group. Certain of these standards and interpretations will require additional disclosures over and above those currently included in these financial statements in the period of initial application.

5. Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful life and impairment of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of useful lives and residual values involves management's estimation. The Group assesses annually the residual value and the useful life of its property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the period when the estimate is changed and in future periods.

The Group assesses regularly whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates.

Allowances for bad and doubtful debts

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectable. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such differences will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed.

Internally generated intangible assets

An intangible asset arising from development or from the development phase of an internal project is recognized only if the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale and comply with the following other requirements: the intention to complete the development project; the ability to sell or use the product; demonstration of how the product will yield probable future economic benefits; the availability of adequate technical, financial, and other resources to complete the project; and the ability to reliably measure the expenditure attributable to the project.

Internally generated intangible assets are stated at cost less accumulated amortization and any impairment losses. Amortization begins when the assets are available for use. The estimated useful life of internally generated intangible assets is 3 years. The amortization method applied is the unit of production method which reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group.

While management has procedures in place to control the product development process, there is an inherent uncertainty with regard to the outcome of the development process.

Deferred revenues

Deferred revenue represents the part of the amount invoiced to customers that has not yet met the criteria for revenue recognition and thus still has to be earned as revenues, by means of delivery of services in the future. The amount of deferred revenues per sample processed and stored is based on certain assumptions, like costs and the chance of future extraction rate of samples. Changes in these assumptions might have a significant impact on the amount of deferred revenues.

Income taxes

A deferred tax asset shall be recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized. Management assesses the probability that taxable profit will be available against which the unused tax losses or unused tax credits can be utilized.

Corporate taxation is calculated on the basis of income before taxation, taking into account the relevant local tax rates and regulations. For each operating entity, the current income tax expense is calculated and differences between the accounting and tax base are determined resulting in deferred tax assets or liabilities. These calculations might deviate from the final tax assessments which will be received in future periods. Obligations for possible income tax exposures are treated as current tax liabilities.