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# ***Takeda Pharma A/S***

Dybendal Alle 10, DK-2630 Taastrup

## **Annual Report for 1 April 2016 - 31 March 2017**

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CVR No 16 40 68 99

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
24/8 2017



Sune Reinholdt Nyland  
Chairman

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## Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Takeda Pharma A/S for the financial year 1 April 2016 - 31 March 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 March 2017 of the Company and of the results of the Company operations for 2016/17.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.


We recommend that the Annual Report be adopted at the Annual General Meeting.

Taastrup, 24 August 2017

Executive Board

  
Ghita Astrup

Board of Directors

  
Ingeborg Rossebs Borghheim  
Chairman

  
Niels Hansen

  
Ghita Astrup

  
Marianne Hauge  
Staff Representative

  
Bjarne Møllstrup Lange  
Staff Representative

# Independent Auditor's Report

To the Shareholder of Takeda Pharma A/S

## Opinion

We have audited the Financial Statements of Takeda Pharma A/S for the financial year 1 April 2016 - 31 March 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 March 2017 and of the results of the Company's operations for the financial year 1 April 2016 - 31 March 2017 in accordance with the Danish Financial Statements Act.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. 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.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the

## **Independent Auditor's Report**

audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements 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.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Statement on Management's Review**

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information re-

## **Independent Auditor's Report**

quired under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Copenhagen, 24 August 2017

**KPMG**

Statsautoriseret Revisionspartnerselskab

*CVR No 25 57 81 98*



**Benny Lynge Sørensen**

**State Authorised Public Accountant**

## **Company Information**

### **The Company**

Takeda Pharma A/S  
Dybendal Alle 10  
DK-2630 Taastrup

CVR No: 16 40 68 99

Financial period: 1 April - 31 March

Municipality of reg. office: Høje Taastrup

### **Board of Directors**

Ingeborg Rossebø Borgheim, Chairman  
Niels Hansen  
Ghita Astrup  
Marianne Hauge  
Bjarne Mejlstrup Lange

### **Executive Board**

Ghita Astrup

### **Auditors**

KPMG  
Statsautoriseret Revisionspartnerselskab  
Dampfærgevej 28  
DK-2100 København Ø

## Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2016/17	2015/16	2014/15	2013/14	2012/13
	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	1.728	1.683	1.910	2.428	2.052
Profit/loss before financial income and expenses	454	29	307	220	47
Net financials	-478	25.288	1.748	1.678	195
Net profit/loss for the year	-103	25.297	1.970	1.739	150
<b>Balance sheet</b>					
Balance sheet total	100.387	101.030	46.953	47.834	47.200
Equity	99.939	100.042	45.092	42.835	43.823
Number of employees	177	197	305	488	520
<b>Ratios</b>					
Profit margin	26,3%	1,7%	16,1%	9,1%	2,3%
Return on assets	0,5%	0,0%	0,7%	0,5%	0,1%
Solvency ratio	99,6%	99,0%	96,0%	89,5%	92,8%
Return on equity	-0,1%	34,9%	4,5%	4,0%	0,4%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.



## **Management's Review**

### **Main activity**

Takeda Pharma A/S is the operating company for the local activities in Denmark as well as for group-related activities. The Company is part of the Japanese pharmaceutical company Takeda Pharmaceutical Company Limited and is the parent company of a number of companies in the Takeda Group.

The activities in Takeda Pharma A/S comprise group functions, production and local marketing activities. The group functions are carried out by all the Group's companies and, in 2016/17, among other things comprised activities within Global Manufacturing and Supply and IT.

In cooperation with the production units in the other companies in the Group, the production unit in Denmark produces pharmaceuticals to the Danish market and for export to other companies in the Takeda Group.

The marketing activities in Denmark include sale, marketing and registration for the Danish market in the business areas Hospitals, General practitioners, Pharmacies and mass market. We have a broad product portfolio with our core business within Inflammatory bowel disease and Oncology. In addition, Takeda Pharma A/S sells non-prescription products such as vitamins, minerals, etc.

The activities in Takeda Pharma A/S' subsidiaries are administered by the local management in cooperation with Group Management.

### **Development in the year**

The income statement of the Company for 2016/17 shows a loss of TDKK 102,646, and at 31 March 2017 the balance sheet of the Company shows equity of TDKK 99,939,154.

### **The past year and follow-up on development expectations from last year**

Operating profit for the past year is in line with the expectations from last year.

## **Management's Review**

### **Special risks - operating risks and financial risks**

#### ***Operating risks***

Management teams in Takeda Pharma A/S as well as the Group are responsible for monitoring and assessing potential business risks that may arise.

The Company's activities are subject to rigorous regulatory control and approval procedures. Moreover, the ongoing cost management by public authorities and the health sector will result in lower prices and reimbursements in the future. Management continuously monitors the development and assesses the effect.

The Company has subsidiaries in countries that are subject to increased political and economic risks. In the short term, economic risk management is used to limit the risks. In the long term, the Company aims to establish businesses in markets with attractive growth potential and a low risk profile.

Several of the Company's products are long-established products that are subject to increasing competition. In order to reduce loss and risk, the Company actively monitors the life cycle of the products.

Future growth and success will depend on Takeda's ability to develop new products and the local companies' ability to market these products. Moreover, the development of sales in the existing product portfolio will be essential to the financial performance of Takeda Pharma A/S.

#### ***Credit risks***

The financial risks of Takeda Pharma A/S are administered in accordance with the policies and instructions adopted by the Group. Accordingly, credit risks and outstanding payments are evaluated continuously.

Financial risks are administered centrally in the Group. The Group does not carry out financial transactions that are not related to hedging of the underlying business risks. It is thus not the Group's policy to engage in active speculation in financial risks.

#### **Targets and expectations for the year ahead**

The company expects an operating profit for FY 2017/18 in line with the current year realised operating profit.

## **Management's Review**

### **Work environment**

A healthy and safe work environment is a precondition for creating strong results and good products.

The Company is continuously seeking to secure and improve working conditions in order to avoid industrial accidents. Relevant policies and systems as well as teamwork help the Company reduce the number of accidents. Takeda Pharma A/S has also established uniform contingency plans for all locations. The primary purpose of the plans is to save lives and to contribute to reducing any harmful effects on the health of people and on the environment. As part of the contingency plan, a task force has been established which receives training on a regular basis, including first aid courses and basic firefighting courses.

### **Health**

As Takeda Pharma A/S employees represent a great asset to the Company, night time working employees are regularly offered a health check. The Company also offers a number of health-promoting treatments and activities. Employees at Takeda Pharma A/S may thus be treated by among others chiropractors and zone therapist during working hours, and the Company also offers yoga, pilates and zumba training.

## Management's Review

### Statutory reporting on CSR

Takeda Pharma A/S as part of Takeda Group participates in CSR actions and initiatives of the Group following the appropriate Group policies.

For all sections in this Statutory reporting on CSR please reference the Consolidated Group Report:

<https://www.takeda.com/investors/reports/annual-reports/>

And UN's Global Compact (Communication on Progress or COP):

[https://www.unglobalcompact.org/system/attachments/cop\\_2016/332131/original/CSR\\_Data\\_Book\\_2016.pdf?1477895072](https://www.unglobalcompact.org/system/attachments/cop_2016/332131/original/CSR_Data_Book_2016.pdf?1477895072)

Since its foundation in 1781, Takeda Group has conducted its business of providing pharmaceuticals with integrity, which is at the core of the unchanging values of "Takeda-ism" (Integrity: Fairness, Honesty and Perseverance). We believe that the essence of CSR for Takeda lies in developing outstanding pharmaceutical products in accordance with these values.

The core rationale for corporate social responsibility (CSR) at Takeda is in the corporate mission of "striving towards better health for people worldwide through leading innovation in medicine." The company management believes it is important to recognize the various effects of the pharmaceutical business value chain on society and therefore strive to maintain and improve sound business processes throughout our operations, and to engage in activities to promote a sustainable society as good corporate citizens. We engage in CSR activities taking this holistic approach.

Takeda is working to support better access to healthcare for people around the world, including emerging and developing countries with the aim of realizing Vision 2020 (Better Health, Brighter Future) for all, making reference to the BSR's Guiding Principles on Access to Healthcare (GPAH), which Takeda helped to draft.

Specific initiatives are centered around the Global Health Project, which comprises members from divisions across the company, including those involved in R&D, pharmaceutical production, emerging markets, the vaccine business, corporate planning, industry negotiations, intellectual property, and CSR. The project discusses Takeda's initiatives from the aspects of both business and corporate citizenship activities, reporting the content of these discussions to management when appropriate. The project is also discussing the formulation of a basic policy on healthcare access to integrate the entire Group. Work on the project has been continued in FY 2016/17.

The Takeda Group is a signatory to the UN's Global Compact. Reference is made to the separate statement on the Group's progress in relation to the UN's Global Compact (Communication on Progress or COP), see:

[https://www.unglobalcompact.org/system/attachments/cop\\_2016/332131/original/CSR\\_Data\\_Book\\_2016.pdf?1477895072](https://www.unglobalcompact.org/system/attachments/cop_2016/332131/original/CSR_Data_Book_2016.pdf?1477895072)

## **Management's Review**

### ***Impact on Human Rights***

Takeda Group has prepared internal standards in the form of policies and guidelines based on international human rights standards, and strives to be socially responsible at every stage of the value chain from research and development to procurement, production, distribution, and sales and marketing as it conducts its activities. We also recognize that one of our key priorities is to support the needs of people who do not have adequate access to pharmaceuticals. Takeda has announced its basic stance on tackling the issue of improving access to healthcare by signing the “Guiding Principles on Access to Healthcare” drafted by BSR – a global association of member companies for CSR.

Takeda Group conducts research activities based on a framework of policies and rules that respect the dignity of life and human rights. Takeda has a Research Ethics Investigation Committee chaired by the General Manager of Pharmaceutical Research Division to handle issues associated with human-derived specimens (such as blood, tissue, cells and other substances). Committee members confirm whether or not specimens are used for research in line with the Declaration of Helsinki. Another ethics committee is responsible for research that uses human genome and gene analysis. Six staff consisting of both genders make up this committee and more than half of the permanent members must come from outside the company. The Ethics Committees have continued their work in FY2016/17.

### ***Major Human Rights-Related Rules for Research and Development Activities***

- Rules for the Research Ethics Investigation Committee
- Rules for the Bioethics Committee concerning human genome and gene analysis research
- Rules for the Committee for Safety of Gene Recombination Experiments
- Rules for the Clinical Specimen Experiment Committee
- Rules for performing human genome and gene analysis research
- Rules for performing gene recombination experiments

## Management's Review

### *Impact on Climate*

Since establishing the Environmental Protection Measures Committee in 1970, Takeda has engaged in environmental protection activities from a long-term perspective. Under the Takeda Group environmental Action Plan, Takeda has set targets for measures to combat global warming, waste reduction, and other initiatives over the mid- and long-term. We review and evaluate our progress each year, and plan our future activities.

Promoting the environment (E), health (H), and safety (S) is an essential responsibility for Takeda in addition to leading innovation in pharmaceuticals, since its mission is to strive towards better health for people. To carry out this responsibility the Company formulated the Takeda Group Environmental Action Plan in 2010, the Global EHS Policy in 2012, and the Global EHS Guideline for Production and Research Sites in 2013. Following on from these, in 2014 Takeda established the Global EHS Guideline for Office Sites and the EHS Guideline Checklist. The Group also held the Global EHS Meeting and network meetings, and shared the concepts fostered within them, as well as promoting a common Group-wide understanding of EHS priorities for realizing "Vision 2025." Harnessing the power of these concepts and networks, Takeda has continued to steadily promote EHS as "Global One Takeda,". During 2016 we saw improved progress towards our 2017 targets for reduction in energy-derived CO<sub>2</sub> compared with fiscal 2005 levels.

### Impact on Environment

Takeda Pharma A/S is comprised by Takeda's global El-IS policy.

As a global pharmaceutical company, Takeda Pharma A/S strives towards better health for patients worldwide through leading innovation in medicine.

We are committed to achieving sustainable growth by complying with environmental, health and safety requirements. We acknowledge our responsibility for the health and work environment of Takeda's employees, the companies in the Group and local communities. We also acknowledge that we are responsible for environmental protection and sustainability. We aim to meet these goals with due respect for Takeda's way of doing things (Takeda-ism).

Takeda Pharma A/S prepares an annual environmental report, which comprises an environmental report and environmental data which are submitted to national authorities and which are approved by local authorities. In this way, the Company gets an overview of environmental issues, environmental measures and priorities. As a result, our environmental focus has become more visible.

Takeda Pharma A/S continuously works towards replacing chemicals, including solvents, to less dangerous substances where possible.

## **Management's Review**

### **Share of the underrepresented gender**

There is no gender underrepresentation at either Board or Management level of the Company. The Board has 3 female and 2 male members. The site leadership team consists of 50% females and 50% males. The Danish leadership team consists of 62% females and 38% males. Therefore, no policy for other management levels have been formulated.

### **Uncertainty relating to recognition and measurement**

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

### **Unusual events**

The financial position at 31 March 2017 of the Company and the results of the activities of the Company for the financial year for 2016/17 have not been affected by any unusual events.

### **Subsequent events**

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

## Income Statement 1 April - 31 March

	Note	2016/17 TDKK	2015/16 TDKK
<b>Revenue</b>	1	<b>1.728.098</b>	<b>1.682.747</b>
Expenses for raw materials and consumables		-836.050	-1.067.458
Other external expenses		-266.082	-402.795
<b>Gross profit/loss</b>		<b>625.966</b>	<b>212.494</b>
Staff expenses	2	-150.615	-157.414
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-21.020	-25.691
<b>Profit before financial income and expenses</b>		<b>454.331</b>	<b>29.389</b>
Income from investments in subsidiaries and associates		25.622	26.833.735
Financial income	4	24.049	196.100
Financial expenses	5	-528.073	-1.742.291
<b>Profit before tax</b>		<b>-24.071</b>	<b>25.316.933</b>
Tax on profit for the year	6	-78.575	-19.976
<b>Net profit/loss for the year</b>		<b>-102.646</b>	<b>25.296.957</b>



## Balance Sheet 31 March

### Assets

	Note	2016/17 TDKK	2015/16 TDKK
Acquired patents		30.122	60.302
Development projects in progress		347	116
<b>Intangible assets</b>	<b>7</b>	<b>30.469</b>	<b>60.418</b>
Land and buildings		64.323	82.525
Plant and machinery		13.173	119
Other fixtures and fittings, tools and equipment		13.478	15.220
Property, plant and equipment in progress		26.352	21.771
<b>Property, plant and equipment</b>	<b>8</b>	<b>117.326</b>	<b>119.635</b>
Investments in subsidiaries	9	97.912.876	98.172.493
Investments in associates	10	0	29.028
Other receivables		1.006	926
<b>Fixed asset investments</b>		<b>97.913.882</b>	<b>98.202.447</b>
<b>Fixed assets</b>		<b>98.061.677</b>	<b>98.382.500</b>
Raw materials and consumables		26.744	19.663
Finished goods and goods for resale		62.199	53.410
<b>Inventories</b>		<b>88.943</b>	<b>73.073</b>
Trade receivables		125.666	108.325
Receivables from group enterprises		2.084.868	2.364.401
Other receivables		375	472
Deferred tax asset	11	19.428	30.036
Corporation tax		0	64.042
Prepayments		6.047	6.906
<b>Receivables</b>		<b>2.236.384</b>	<b>2.574.182</b>
<b>Cash at bank and in hand</b>		<b>2</b>	<b>1</b>
<b>Currents assets</b>		<b>2.325.329</b>	<b>2.647.256</b>
<b>Assets</b>		<b>100.387.006</b>	<b>101.029.756</b>

## Balance Sheet 31 March

### Liabilities and equity

	Note	2016/17 TDKK	2015/16 TDKK
Share capital		956.100	956.100
Reserve for development costs		231	0
Retained earnings		98.982.823	99.085.700
<b>Equity</b>	12	<b>99.939.154</b>	<b>100.041.800</b>
Other payables		765	812
Deferred income		70.031	81.875
<b>Long-term debt</b>	13	<b>70.796</b>	<b>82.687</b>
Trade payables		80.330	57.192
Payables to group enterprises		224.658	767.453
Corporation tax		2.005	0
Other payables	13	58.219	68.780
Deferred income	13	11.844	11.844
<b>Short-term debt</b>		<b>377.056</b>	<b>905.269</b>
<b>Debt</b>		<b>447.852</b>	<b>987.956</b>
<b>Liabilities and equity</b>		<b>100.387.006</b>	<b>101.029.756</b>
Distribution of profit	14		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
Fee to auditors appointed at the general meeting	17		

## Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 April	956.100	0	99.085.700	100.041.800
Development costs for the year	0	231	-231	0
Net profit/loss for the year	0	0	-102.646	-102.646
<b>Equity at 31 March</b>	<b>956.100</b>	<b>231</b>	<b>98.982.823</b>	<b>99.939.154</b>

## Notes to the Financial Statements

	<u>2016/17</u>	<u>2015/16</u>
	TDKK	TDKK
<b>1 Revenue</b>		
<b>Geographical segments</b>		
Revenue, Denmark	617.864	583.993
Revenue, exports	<u>1.110.234</u>	<u>1.098.754</u>
	<u><b>1.728.098</b></u>	<u><b>1.682.747</b></u>
<b>Business segments</b>		
Sale of goods	1.078.675	1.347.913
Royalty income	<u>649.423</u>	<u>334.834</u>
	<u><b>1.728.098</b></u>	<u><b>1.682.747</b></u>
<b>2 Staff expenses</b>		
Wages and salaries	133.847	140.403
Pensions	15.399	15.817
Other social security expenses	<u>1.369</u>	<u>1.194</u>
	<u><b>150.615</b></u>	<u><b>157.414</b></u>
Including remuneration to the Executive Board and Board of Directors of:		
Salary	3.938	4.338
Pension	<u>496</u>	<u>539</u>
	<u><b>4.434</b></u>	<u><b>4.877</b></u>
<b>Average number of employees</b>	<u><b>177</b></u>	<u><b>197</b></u>

In total 15 key management employees are participating in the Takeda Group's long term incentive programs. The programs give the participant the right to receive a number of Restricted Stock Units ("RSU.s"), calculated as a certain percentage of each participants base salary and divided by the Takeda Group stock price at the grant date. Each program has granted vesting, meaning that one third of the RSU's vests after one year. All programs are settled in cash equivalent to the actual Takeda Group share price on the vesting date. For the 2013-program a total of 17.848 RSU's have been granted at a share price of 310 DKK, and for the 2014-program 16.818 RSU's have been granted at a share price of 253,46 DKK, for the 2015-program 15.895 RSU's have been granted at a share price of 320,94 DKK while 12.102 RSU's have been granted with respect to the 2016-program at a share price of 288,56 DKK.

## Notes to the Financial Statements

	2016/17 TDKK	2015/16 TDKK
<b>3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	9.844	11.544
Depreciation of property, plant and equipment	11.249	13.044
Gain and loss on disposal	-73	1.103
	<u>21.020</u>	<u>25.691</u>
Which is specified as follows:		
Acquired patents	9.844	11.544
Buildings	5.529	7.033
Plant and machinery	2.856	2.833
Other fixtures and fittings, tools and equipment	2.864	3.178
Loss/(profit) on disposal of property, plant and equipment	0	1.103
Loss/(profit) on sale of intangible assets	-73	0
	<u>21.020</u>	<u>25.691</u>
<b>4 Financial income</b>		
Interest received from group enterprises	323	1.539
Other financial income	3	0
Exchange gains	23.723	194.561
	<u>24.049</u>	<u>196.100</u>
<b>5 Financial expenses</b>		
Impairment losses and reversal etc. on investments in subsidiaries	507.895	1.571.056
Interest paid to group enterprises	278	7.042
Other financial expenses	300	4.356
Exchange losses	19.600	159.837
	<u>528.073</u>	<u>1.742.291</u>

## Notes to the Financial Statements

	2016/17	2015/16
	TDKK	TDKK
<b>6 Tax on profit for the year</b>		
Current tax for the year	93.221	3.466
Deferred tax for the year	10.192	16.510
Adjustment of tax concerning previous years	-24.838	0
	<u>78.575</u>	<u>19.976</u>
<b>7 Intangible assets</b>		
	Acquired pa- tents	Development projects in progress
	TDKK	TDKK
Cost at 1 April	644.600	116
Additions for the year	0	231
Disposals for the year	-97.718	0
Cost at 31 March	<u>546.882</u>	<u>347</u>
Impairment losses and amortisation at 1 April	584.298	0
Amortisation for the year	9.844	0
Reversal of amortisation of disposals for the year	-77.382	0
Impairment losses and amortisation at 31 March	<u>516.760</u>	<u>0</u>
<b>Carrying amount at 31 March</b>	<u>30.122</u>	<u>347</u>

## Notes to the Financial Statements

### 8 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 April	298.010	49.111	53.788	21.771
Additions for the year	80	3.157	1.122	4.581
Disposals for the year	0	-607	-21.269	0
<b>Cost at 31 March</b>	<b>298.090</b>	<b>51.661</b>	<b>33.641</b>	<b>26.352</b>
Impairment losses and depreciation at 1 April	215.485	48.992	38.568	0
Depreciation for the year	5.529	2.856	2.864	0
Reversal of impairment and depreciation of sold assets	0	-607	-21.269	0
Adjustment for the year	12.753	-12.753	0	0
<b>Impairment losses and depreciation at 31 March</b>	<b>233.767</b>	<b>38.488</b>	<b>20.163</b>	<b>0</b>
<b>Carrying amount at 31 March</b>	<b>64.323</b>	<b>13.173</b>	<b>13.478</b>	<b>26.352</b>

## Notes to the Financial Statements

	<u>2016/17</u>	<u>2015/16</u>
	TDKK	TDKK
<b>9 Investments in subsidiaries</b>		
Cost at 1 April	99.696.692	45.885.307
Additions for the year	219.250	130.312.370
Disposals for the year	0	-76.500.985
Cost at 31 March	<u>99.915.942</u>	<u>99.696.692</u>
Value adjustments at 1 April	-1.524.199	-831.439
Disposals for the year	0	831.439
Revaluations for the year, net	-478.867	-1.524.199
Value adjustments at 31 March	<u>-2.003.066</u>	<u>-1.524.199</u>
<b>Carrying amount at 31 March</b>	<u><b>97.912.876</b></u>	<u><b>98.172.493</b></u>



## Notes to the Financial Statements

### 9 Investments in subsidiaries (continued)

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Takeda					
Pharmaceuticals					
Australia Pty. Ltd.*	Australia	TAUD 451.000	100%	21.526	585
Takeda					
Pharmaceuticals					
FZCO*	Dubai, UAE	TAED 1.000	90%	29.858	7.716
Multilab Indústria e Comércio de Produtos Farmacêuticos Ltda					
	Brazil	TBRL 584.581	100%	-25.066	-93.175
Takeda Latvia SIA	Republic of Latvia	TEUR 6	100%	372	74
Takeda UAB	Republic of Lithuania	TEUR 3	100%	922	90
Takeda					
Pharmaceuticals					
International AG	Switzerland	TCHF 4.420	87%	17.003.736	-130.689
Takeda Re-					
Insurance AG	Switzerland	TCHF 16.000	100%	48.508	4.998
Takeda Ecuador					
Cía Ltda.	Ecuador	TUSD 1.400	100%	1.104	367
Nycomed					
Christiaens BV	Netherlands	TEUR 500	100%	2.532	-2.579
Takeda SRL	Peru	TPEN 8.427	99%	9.885	1.280
Takeda					
Pharmaceutical					
Egypt LLC	Egypt	TEGP 240	100%	20.971	16.777
Takeda Israel Ltd	Israel	TILS 953	100%	-5.878	-7.333
Takeda					
Pharmaceuticals					
Taiwan Ltd.	Taiwan	TNTD 90.000	100%	933.615	119.843

All foreign subsidiaries are recognised and measured as separate entities.

\* = Figures are according to group GAAP (IFRS), as the statutory accounts are not yet available.

## Notes to the Financial Statements

	2016/17 TDKK	2015/16 TDKK
<b>10 Investments in associates</b>		
Cost at 1 April	75.891	75.891
Cost at 31 March	75.891	75.891
Value adjustments at 1 April	-46.863	0
Revaluations for the year, net	-29.028	-46.863
Value adjustments at 31 March	-75.891	-46.863
<b>Carrying amount at 31 March</b>	<b>0</b>	<b>29.028</b>

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
GE Healthcare Nycomed Ltd.	Ireland	TEUR 0,1	49%	7.163	-945

### 11 Deferred tax asset

Deferred tax asset at 1 April	30.036	46.546
Amounts recognised in the income statement for the year	-10.608	-16.510
<b>Deferred tax asset at 31 March</b>	<b>19.428</b>	<b>30.036</b>
Intangible assets	3.039	1.529
Property, plant and equipment	-4.912	-9.769
Liabilities	-18.012	-22.378
Other items	457	998
Tax loss carry-forward	0	-416
Transferred to deferred tax asset	19.428	30.036
	<b>0</b>	<b>0</b>
<b>Deferred tax asset</b>		
Calculated tax asset	19.428	30.036
<b>Carrying amount</b>	<b>19.428</b>	<b>30.036</b>

## Notes to the Financial Statements

### 12 Equity

The share capital is broken down as follow:

	Number	Nominal value TDKK
A-shares	1.386	138.600
B-shares	8.175	817.500
		<u>956.100</u>

The share capital has developed as follows:

	2016/17 TDKK	2015/16 TDKK	2014/15 TDKK	2013/14 TDKK	2012/13 TDKK
Share capital at 1 April	956.100	810.100	810.000	810.000	803.000
Capital increase	0	146.000	100	0	7.000
Capital decrease	0	0	0	0	0
<b>Share capital at 31 March</b>	<u>956.100</u>	<u>956.100</u>	<u>810.100</u>	<u>810.000</u>	<u>810.000</u>

### 13 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2016/17 TDKK	2015/16 TDKK
<b>Other payables</b>		
Between 1 and 5 years	765	812
Long-term part	765	812
Other short-term payables	58.219	68.780
	<u>58.984</u>	<u>69.592</u>
<b>Deferred income</b>		
After 5 years	22.653	34.499
Between 1 and 5 years	47.378	47.376
Long-term part	70.031	81.875
Within 1 year	0	0
Other deferred income	11.844	11.844
	<u>81.875</u>	<u>93.719</u>

## Notes to the Financial Statements

	<u>2016/17</u>	<u>2015/16</u>
	TDKK	TDKK
<b>14 Distribution of profit</b>		
Retained earnings	-102.646	25.296.957
	<u>-102.646</u>	<u>25.296.957</u>
<b>15 Contingent assets, liabilities and other financial obligations</b>		
<b>Rental and lease obligations</b>		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	5.368	4.842
Between 1 and 5 years	13.026	11.233
After 5 years	5.324	9.380
	<u>23.718</u>	<u>25.455</u>
<b>Other contingent liabilities</b>		
Guarantee commitments	3.175	3.799

The Company is sometimes involved in legal proceedings instituted in connection with the ordinary operation of the Company. The Company decides on a case-by-case basis whether to end legal proceedings or whether to defend its position. Management believes that the outcome of proceedings will not materially affect the Company's financial performance or financial position. The Company maintains its indemnity insurance in order to limit the effects on the financial statements of any rulings not favouring the Company.

The Company has certain other contingent liabilities relating to claims, performance guarantees and other obligations resulting from ordinary operations. Management does not believe that the probable outcome of other contingent liabilities will materially affect financial performance or the financial position.

The Company is taxed jointly with other Danish companies in the Takeda Group. The Company has unlimited and joint and several liability together with the other jointly taxed companies for Danish income taxes and withholding taxes on dividends, interest and royalties within the jointly taxed companies.

# Notes to the Financial Statements

## 16 Related parties

### Basis

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#### Controlling interest

Takeda A/S	Parent company
Takeda Pharmaceutical Company Limited, Japan	Ultimate Parent Company

#### Other related parties

The Company's other related parties include group enterprises and associates, including such companies' Boards of Directors, Executive Boards and executive staff as well as their family members. Related parties also include entities and companies in which the abovementioned persons have a significant interest, as well as persons and companies with a significant interest in the parent.

#### Transactions

No transactions were made with members of the Supervisory Board or others in the periods referred to besides ordinary intra-group transactions relating to goods and services.

#### Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Takeda A/S, Dybendal Allé 10, 2630 Taastrup, Danmark

#### Consolidated Financial Statements

The Company is included in the consolidated financial statements of the Ultimate Parent Company

Name

Takeda Pharmaceutical Company Limited

Takeda A/S

## Notes to the Financial Statements

### 16 Related parties (continued)

The consolidated financial statements of the Ultimate Parent Company can be obtained at the address:

Takeda Pharmaceutical Company Limited, 1-1, Doshomachi 4-chome Chou-ku, Osaka-shi 540-8645, Japan

	<u>2016/17</u> TDKK	<u>2015/16</u> TDKK
<b>17 Fee to auditors appointed at the general meeting</b>		
Audit fee to KPMG	392	662
Other services	0	171
	<u>392</u>	<u>833</u>

## **Accounting Policies**

### **Basis of Preparation**

The Annual Report of Takeda Pharma A/S for FY 2016/17 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

Financial Statements for 2016/17 are presented in TDKK.

During 2016/17 the Company discovered a material error in the financial statements for 2013/14 and 2014/15 related to the group internal split of residual profit on IP Rights. The total error was an combined overstatement of pre-tax profit of TDKK 258.926. The tax effect was TDKK 64.042. Net effect on equity was an overstatement of TDKK 194.884. The material error has been corrected in the comparison figures and in the financial highlights for the relevant years.

### **Consolidated financial statements**

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Takeda Pharmaceutical Company Limited, the Company has not prepared consolidated financial statements.

### **Cash flow statement**

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Takeda Pharmaceutical Company Limited, the Company has not prepared a cash flow statement.

### **Recognition and measurement**

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including amortisations, depreciations and write-downs, as well as provisions and reversals, as a consequence of revised accounting estimates, of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

## **Accounting Policies**

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

### **Translation policies**

Transactions in foreign currencies are translated at the corporate exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the corporate exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

## **Income Statement**

### **Revenue**

Revenue from the sale of goods is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

There was a change in approach to revenue segment split, as geographical split was made to other income as well. The comparison figures were updated following the new approach.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

### **Expenses for raw materials and consumables**

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

### **Other external expenses**

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

### **Staff expenses**

Staff expenses comprise wages and salaries as well as payroll expenses.

### **Amortisation, depreciation and impairment losses**

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.



## **Accounting Policies**

### **Other operating income and expenses**

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise, including management fee income from its subsidiaries as well as profit/loss on the sale of intellectual property rights etc.

### **Income from investments in subsidiaries**

Dividend from investments in subsidiaries and associates is recognised in the Company's income statement in the financial year in which the dividend is declared. If distributed dividend exceeds accumulated earnings after the date of acquisition the cost of the investment is impaired.

### **Financial income and expenses**

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### **Tax on profit for the year**

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

## **Balance Sheet**

### **Intangible assets**

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 8 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

### **Property, plant and equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the

## **Accounting Policies**

expected useful lives of the assets, which are:

Production buildings	5-39	years
Plant and machinery	5-10	years
Other fixtures and fittings, tools and equipment	3-10	years

### **Impairment of fixed assets**

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

### **Investments in subsidiaries and associates**

Investments in subsidiaries and associates are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

### **Inventories**

Inventories are measured at cost based on the lower of the weighted average cost formula and net realisable value.

Net realisable value is calculated using the expected selling price accounting for obsolescence, less any remaining production and distribution costs.

The cost of manufactured and completed products as well as semi-manufactures includes raw material, direct payroll costs, other material needed for the production and production overhead. Production overhead includes indirect payroll costs and materials, maintenance costs and depreciation of operating equipment and buildings that have been used in the production process and cost for production administration and management.

Goods for resale are measured at cost plus delivery costs.

### **Receivables**

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions are made based on an evaluation of the claims that are estimated to involve a risk of loss.

### **Equity**

#### ***Dividend***

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

## **Accounting Policies**

### **Deferred tax assets and liabilities**

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

### **Current tax receivables and liabilities**

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### **Financial liabilities**

On initial recognition, borrowing and lending are measured at the fair value of proceeds received these transaction costs that are directly associated with the transaction. Subsequent to initial recognition, financial liabilities are measured at amortised cost under the effective interest method. Gains and losses are recognised in the income statement when the relevant liability has been removed from the balance sheet and through amortisation.

Other liabilities are measured at amortised cost, substantially corresponding to nominal value.

## **Accounting Policies**

### **Financial Highlights**

#### **Explanation of financial ratios**

Profit margin

$$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$$

Return on assets

$$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$$

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$