
Takeda A/S under frivillig likvidation

Dybendal Allé 10, DK-2630 Taastrup

Annual Report for 1 April 2018 - 31 March 2019

CVR No 28 31 35 19

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
6 /9 2019

Ole Nørgaard
Chairman

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Management's Statement

The Liquidators have today considered and adopted the Annual Report of Takeda A/S under frivillig likvidation for the financial year 1 April 2018 - 31 March 2019.

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 2019 of the Company and of the results of the Company operations for 2018/19.

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, 6 September 2019

Liquidator

Troels Mørch Tuxen

Ole Nørgaard

Independent Auditor's Report

To the Shareholders of Takeda A/S under frivillig likvidation

Opinion

We have audited the Financial Statements of Takeda A/S under frivillig likvidation for the financial year 1 April 2018 - 31 March 2019, 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 2019 and of the results of the Company's operations for the financial year 1 April 2018 - 31 March 2019 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.

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 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 in-

Independent Auditor's Report

volve 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.
- 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.

Independent Auditor's Report

Moreover, it is our responsibility to consider whether Management's Review provides the information required 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, 6 September 2019

KPMG

Statsautoriseret Revisionspartnerselskab

CVR No 25 57 81 98

Lau Bent Baun

State Authorised Public Accountant

mne26708

Company Information

The Company

Takeda A/S under frivillig likvidation
Dybendal Allé 10
DK-2630 Taastrup

CVR No: 28 31 35 19

Financial period: 1 April - 31 March

Municipality of reg. office: Høje-Taastrup

Liquidator

Troels Mørch Tuxen
Ole Nørgaard

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø

Lawyers

Plesner

Bankers

Nordea Bank Danmark A/S

Financial Highlights

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

	2018/19 TDKK	2017/18 TDKK	2016/17 TDKK	2015/16 TDKK	2014/15 TDKK
Key figures					
Profit/loss					
Revenue	85.246	157.677	182.011	231.184	442.379
Profit/loss before financial income and expenses	3.795	7.541	7.968	6.645	20.349
Net financials	128.340.522	-299.728	-422.225	-184.233	711.707
Net profit/loss for the year	128.332.441	-290.450	-399.835	-266.457	617.117
Balance sheet					
Balance sheet total	194.977	78.987.221	81.622.105	74.279.269	55.250.980
Equity	187.113	64.611.064	64.901.514	67.001.349	40.240.091
Number of employees	26	38	47	52	53
Ratios					
Profit margin	4,5%	4,8%	4,4%	2,9%	4,6%
Return on assets	1,9%	0,0%	0,0%	0,0%	0,0%
Solvency ratio	96,0%	81,8%	79,5%	90,2%	72,8%
Return on equity	396,1%	-0,4%	-0,6%	-0,5%	1,5%

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

Key activities

Takeda A/S is a company in the Takeda Group in which the Japanese pharmaceutical company, Takeda Pharmaceutical Company Limited, is the ultimate parent company.

The Company is under liquidation and it is expected to be shut down dependent on the current tax litigations.

The Company's capital and the activities in the Company are administered by the Takeda Group in cooperation with the Liquidators of the Company.

The Company does not carry out research and development activities.

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

The solvent liquidation of the Company

At the extraordinary general meeting on 19 February 2019, it was decided to dissolve the Company under the rules of solvent liquidation of the Danish Companies Act.

The Company's former Executive Board and Board of Directors have resigned as a result of the resolution to dissolve the Company and have been replaced by the Liquidators.

Development in the year

The income statement of the Company for 2018/19 shows a profit of TDKK 128,332,441, and at 31 March 2019 the balance sheet of the Company shows equity of TDKK 187,113.

During the year the Company was a part of restructuring. The Company transferred shares in Takeda Pharma AS and Takeda Pharmaceuticals FZCO to TPIZ which accounted KDKK -55,617,557 at the same time receiving a dividend KDKK 183,955,453.

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

The result for 2018/19 is in line with expectations in respect of the operating profit.

Management's Review

Special risks - operating risks and financial risks

Operating risks

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

The Group is covered by an insurance programme that safeguards the Group's employees, assets and earnings. Damages caused by the Company are also included in the insurance programme. The overall risk is assessed on a regular basis to ensure adequate insurance coverage.

Foreign exchange risks

All hedging of currency risks is managed at group level, and since Takeda A/S' financial statements are presented in DKK, there is currency rate fluctuation affecting the profit and loss statement. The main net exchange rate fluctuation in the financial year 2018/19 is related to balances with related companies.

Credit risks

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

Targets and expectations for the year ahead

Takeda A/S is under liquidation and no longer has any significant activities. We expect operating profit to be significantly smaller in 2019/2020.

External environment

Impact on climate

Takeda A/S is a holding company under voluntary liquidation and an assessment was performed that there is limited impact on climate. Therefore no specific policy exist. In FY2018/19 the activities in Takeda A/S was only a few employees working in an office with ISIT, Insurance, sitting in the same office as Takeda Pharma A/S. The employees are following the same corporate rules as in Takeda Pharma A/S. As the company is under liquidation it is not relevant to create a policy for impact on climate with no activities and with 0 FTE's as per 31.03.2019. The last employee left the company in January 2019.

Impact on environment

Takeda A/S is a holding company under voluntary liquidation and an assessment was performed that there is limited impact on environment. Therefore no specific policy exist. In FY2018/19 the activities in Takeda A/S was only a few employees working in an office with ISIT, Insurance, sitting in the same office as Takeda Pharma A/S. The employees are following the same corporate rules as in Takeda Pharma A/S. As the company is under liquidation it is not relevant to create a policy for impact on environment with no activities and with 0 FTE's as per 31.03.2019. The last employee left the company in January 2019.

Management's Review

Statement of corporate social responsibility

Impact on Human rights

Takeda A/S is a holding company under voluntary liquidation and an assessment was performed that there is limited impact on human rights. Therefore no specific policy exist In FY2018/19 the activities in Takeda A/S was only a few employees working in an office with ISIT, Insurance, sitting in the same office as Takeda Pharma A/S. The employees are following the same corporate rules as in Takeda Pharma A/S. As the company is under liquidation it is not relevant to create a policy for impact on human rights with no activities and with 0 FTE's as per 31.03.2019. The last employee left the company in January 2019.

Social and staff matters

Takeda A/S is a holding company under voluntary liquidation and an assessment was performed that there are no social and staff matters issues. Therefore no specific policy exist. In FY2018/19 the activities in Takeda A/S was only a few employees working in an office with ISIT, Insurance, sitting in the same office as Takeda Pharma A/S. The employees are following the same corporate rules as in Takeda Pharma A/S. As the company is under liquidation it is not relevant to create a policy for social and staff matters with no activities and with 0 FTE's as per 31.03.2019. The last employee left the company in January 2019.

Anti-corruption and bribery

Takeda A/S is a holding company under voluntary liquidation and an assessment was performed that there are no anti-corruption and bribery issues. Therefore no specific policy exist. In FY2018/19 the activities in Takeda A/S was only a few employees working in an office with ISIT, Insurance, sitting in the same office as Takeda Pharma A/S. The employees are following the same corporate rules as in Takeda Pharma A/S. As the company is under liquidation it is not relevant to create a policy for anti-corruption and bribery with no activities and with 0 FTE's as per 31.03.2019. The last employee left the company in January 2019.

Statement on gender composition

Target for the Board

Currently, in the board there are 2 male liquidators. Before liquidation it was balanced mix between 3 males and 2 females.

Other management levels

The last employee left the company in January 2019 and there are 0 FTE's as per 31.03.2019. No policy has been prepared as even before liquidation the company has less than 50 FTEs.

Uncertainty relating to recognition and measurement

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

Management's Review

Unusual events

The financial position at 31 March 2019 of the Company and the results of the activities of the Company for the financial year for 2018/19 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	2018/19 TDKK	2017/18 TDKK
Revenue	1	85.246	157.677
Other external expenses		-60.238	-101.332
Gross profit		25.008	56.345
Staff expenses	2	-20.274	-46.458
Amortisation and depreciation of intangible assets and property, plant and equipment	3	-939	-2.346
Profit/loss before financial income and expenses		3.795	7.541
Income from investments in subsidiaries and associates	4	128.337.896	0
Financial income	5	14.497	139.830
Financial expenses	6	-11.871	-439.558
Profit/loss before tax		128.344.317	-292.187
Tax on profit/loss for the year	7	-11.876	1.737
Net profit/loss for the year		128.332.441	-290.450

Balance Sheet 31 March

Assets

	Note	2018/19 TDKK	2017/18 TDKK
Software		0	1.334
Intangible assets	8	0	1.334
Machinery and equipment		0	0
Property, plant and equipment	9	0	0
Investments in subsidiaries	10	0	64.674.245
Deposits		37.328	0
Other receivables		0	2.525
Fixed asset investments		37.328	64.676.770
Fixed assets		37.328	64.678.104
Receivables from group enterprises		139.983	11.413.761
Other receivables		28	25.074
Deferred tax asset	11	17.638	16.970
Corporation tax		0	208.454
Prepayments		0	1.189
Receivables		157.649	11.665.448
Cash at bank and in hand		0	2.643.669
Currents assets		157.649	14.309.117
Assets		194.977	78.987.221

Balance Sheet 31 March

Liabilities and equity

	Note	2018/19 TDKK	2017/18 TDKK
Share capital		995	995
Retained earnings		1	64.610.069
Liquidation account		186.117	0
Equity	12	187.113	64.611.064
Other payables		0	447
Long-term liabilities	13	0	447
Credit institutions		0	27.628
Trade payables		3.577	8.689
Payables to group enterprises		4.287	14.247.188
Other payables	13	0	92.205
Short-term liabilities		7.864	14.375.710
Liabilities		7.864	14.376.157
Liabilities and equity		194.977	78.987.221
Distribution of profit	14		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
Fee to auditors appointed at the general meeting	17		
Accounting Policies	18		

Statement of Changes in Equity

	Share capital	Retained	Liquidation	Total
	TDKK	earnings	account	TDKK
	TDKK	TDKK	TDKK	TDKK
Equity at 1 April	995	64.610.069	0	64.611.064
Extraordinary dividend paid	0	-192.756.392	0	-192.756.392
Transfer to the liquidation account	0	-186.117	186.117	0
Distribution of profit for the year	0	128.332.441	0	128.332.441
Equity at 31 March	995	1	186.117	187.113

Notes to the Financial Statements

1 Revenue

The Company does not have any revenue segments, as the revenue is entirely management fees.

	2018/19 <u>TDKK</u>	2017/18 <u>TDKK</u>
2 Staff expenses		
Wages and salaries	17.934	42.634
Pensions	2.335	3.823
Other social security expenses	0	1
Other staff expenses	5	0
	<u>20.274</u>	<u>46.458</u>
Including remuneration to the Executive Board and Board of Directors of:		
Salary	346	311
Pension	43	39
Liquidator fee	38	0
	<u>427</u>	<u>350</u>
Average number of employees	<u>26</u>	<u>38</u>
3 Amortisation and depreciation of intangible assets and property, plant and equipment		
Amortisation of intangible assets	<u>939</u>	<u>2.346</u>
	<u>939</u>	<u>2.346</u>
Which is specified as follows:		
Software	<u>939</u>	<u>2.346</u>
	<u>939</u>	<u>2.346</u>
4 Income from investments in subsidiaries and associates		
Impairment	-55.617.557	0
Dividend received	183.955.453	0
	<u>128.337.896</u>	<u>0</u>

Notes to the Financial Statements

	<u>2018/19</u>	<u>2017/18</u>
	TDKK	TDKK
5 Financial income		
Interest received from group enterprises	610	50.486
Other financial income	13.886	90.487
Exchange gains	1	-1.143
	<u>14.497</u>	<u>139.830</u>
6 Financial expenses		
Interest paid to group enterprises	890	42.079
Fair value adjustment of financial instruments	3.215	0
Other financial expenses	4.468	196.700
Exchange losses	3.298	200.779
	<u>11.871</u>	<u>439.558</u>
7 Tax on loss for the year		
Current tax for the year	52	-12.844
Deferred tax for the year	-686	10.932
Adjustment of tax concerning previous years	12.492	-105.454
Adjustment of deferred tax concerning previous years	18	105.629
	<u>11.876</u>	<u>-1.737</u>

Notes to the Financial Statements

8 Intangible assets

	<u>Software</u> TDKK
Cost at 1 April	73.456
Disposals for the year	<u>-73.456</u>
Cost at 31 March	<u>0</u>
Impairment losses and amortisation at 1 April	72.122
Amortisation for the year	939
Reversal of amortisation of disposals for the year	<u>-73.061</u>
Impairment losses and amortisation at 31 March	<u>0</u>
Carrying amount at 31 March	<u>0</u>

9 Property, plant and equipment

	<u>Machinery and equipment</u> TDKK
Cost at 1 April	503
Disposals for the year	<u>-503</u>
Cost at 31 March	<u>0</u>
Impairment losses and depreciation at 1 April	503
Reversal of impairment and depreciation of sold assets	<u>-503</u>
Impairment losses and depreciation at 31 March	<u>0</u>
Carrying amount at 31 March	<u>0</u>

Notes to the Financial Statements

	2018/19	2017/18
	TDKK	TDKK
10 Investments in subsidiaries		
Cost at 1 April	64.674.245	64.674.245
Additions for the year	183.955.453	0
Disposals for the year	-248.629.698	0
Cost at 31 March	<u>0</u>	<u>64.674.245</u>
Value adjustments at 1 April	0	0
Revaluations for the year, net	-55.617.557	0
Reversals for the year of revaluations	55.617.557	0
Value adjustments at 31 March	<u>0</u>	<u>0</u>
Carrying amount at 31 March	<u>0</u>	<u>64.674.245</u>
11 Deferred tax asset		
Deferred tax asset at 1 April	16.970	133.531
Amounts recognised in the income statement for the year	686	-10.932
Residual	-18	-105.629
Deferred tax asset at 31 March	<u>17.638</u>	<u>16.970</u>
Property, plant and equipment including software	0	-17.230
Prepayments	0	260
Tax loss carry-forward	-17.638	0
Transferred to deferred tax asset	17.638	16.970
	<u>0</u>	<u>0</u>
Deferred tax asset		
Calculated tax asset	<u>17.638</u>	<u>16.970</u>
Carrying amount	<u>17.638</u>	<u>16.970</u>

Notes to the Financial Statements

12 Equity

The share capital consists of 13,362,814 shares of a nominal value of EUR 0,01 each, equivalent to TDKK 995. The share capital is not divided into shares and no shares carry any special rights.

The share capital has developed as follows:

	2018/19	2017/18	2016/17	2015/16	2014/15
	TDKK	TDKK	TDKK	TDKK	TDKK
Share capital at 1 April	995	995	995	844	839
Capital increase	0	0	0	151	5
Capital decrease	0	0	0	0	0
Share capital at 31 March	995	995	995	995	844

13 Long-term liabilities

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

The liabilities fall due for payment as specified below:

	2018/19	2017/18
	TDKK	TDKK
Other payables		
Between 1 and 5 years	0	447
Long-term part	0	447
Other short-term payables	0	92.205
	0	92.652

14 Distribution of profit

Extraordinary dividend paid	192.756.392	0
Retained earnings	-64.423.951	-290.450
	128.332.441	-290.450

Notes to the Financial Statements

	<u>2018/19</u> TDKK	<u>2017/18</u> TDKK
15 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	0	5.227
Between 1 and 5 years	<u>0</u>	<u>5.763</u>
	<u>0</u>	<u>10.990</u>

Guarantees

Warranties	0	118.032
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Contingent assets and liabilities

The company has in previous years made an impairment related to a receivable. The asset is no longer considered virtually certain to receive. The total impairment end of year is DKK 930 million and is considered a contingent asset.

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

Controlling interest

Takeda Pharmaceutical Company Limited, Japan. Immediate and ultimate parent

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 above-mentioned persons have a significant interest, as well as persons and companies with a significant interest in the parent.

Transactions

During the year, the Company had the following transactions with its ultimate Parent Company and its subsidiaries:

Sales of goods KDKK 0

Purchase of goods KDKK 0

Sales of services KDKK 85,274

Purchase of services KDKK -31

ICA interest (expenses) KDKK 286

IHB balance KDKK 139,983

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 effected at arm's length. The Executive Board and Supervisory Board does not receive remuneration for their positions in Takeda A/S.

Ownership

The following shareholders are 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 Pharmaceutical Company Limited, 1-1, Doshomachi 4-chome Chuo-ku, Osaka-shi 540-8645, Japan

Notes to the Financial Statements

16 Related parties (continued)

Consolidated Financial Statements

The Company is included in the consolidated financial statements of the parent company

<u>Name</u>	<u>Place of registered office</u>
Takeda Pharmaceutical Company Limited, Japan	Osaka, Japan

The consolidated financial statements of the parent company can be obtained at the address:

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

17 Fee to auditors appointed at the general meeting

	<u>2018/19</u>	<u>2017/18</u>
	TDKK	TDKK
Audit fee to KPMG	366	366
Other assurance engagements	185	150
Other accounting services	3	0
	<u>554</u>	<u>516</u>

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of Takeda A/S under frivillig likvidation for 2018/19 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

Due to the liquidation, assets and liability are recognised at expected realisable values, and provision has been made for liquidation costs in debt in the Financial Statement.

The Financial Statements for 2018/19 are presented in TDKK.

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, Japan, 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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

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.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

Notes to the Financial Statements

18 Accounting Policies (continued)

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.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

The Company uses derivative financial instruments such as forward exchange contracts and interest rate swaps to hedge the risks involved in interest rate and foreign exchange rate fluctuations. On initial recognition, such derivative financial instruments are recognised at fair value at the date of concluding the hedge contract and are subsequently remeasured at fair value. Derivative financial instruments are recognised as assets when fair value is positive, and as liabilities when fair value is negative.

Gains and losses resulting from changes in the fair value of derivative financial instruments which do not qualify as hedging instruments are taken directly to the income statement for the year. The fair value of forward contracts is calculated using applicable forward exchange rates for contracts with similar maturity profiles.

Income Statement

Revenue

Revenue from services includes management fees received from other companies in the Group. The income is recognized throughout the financial year.

Revenue is recognised exclusive of VAT and net of discounts.

Other external expenses

Other external expenses comprise primarily IT and administrative expenses etc.

Staff expenses

Staff expenses comprise wages, salaries and related expenses.

Notes to the Financial Statements

18 Accounting Policies (continued)

Amortisation, depreciation and impairment losses

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

Income from investments in subsidiaries and associates

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 include interest, amortisation of finance costs, realised and unrealised foreign exchange gains and losses as well as other financial income and expenses related to the financial year. Unrealised foreign exchange gains and losses include changes in the fair value of derivative financial statements concluded to hedge fair value.

Tax on loss 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 wholly owned Danish subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Software is measured at the lower of cost less accumulated amortisation and recoverable amount. Software is amortised over its estimated useful life, which is assessed at 3-5 years.

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 expected useful lives of the assets, which are:

Notes to the Financial Statements

18 Accounting Policies (continued)

Machinery 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.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Equity

Dividend

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

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

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

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

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