

AstraZeneca A/S

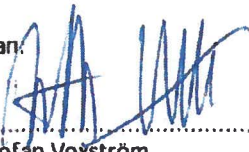
Arne Jacobsens Allé 13, 2300 Copenhagen S

CVR no. 55 74 29 28

Annual report 2016

Approved at the annual general meeting of shareholders on 31 May 2017

Chairman:



.....
Hans Stefan Voxström

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of AstraZeneca A/S for the financial year 1 January - 31 December 2016.

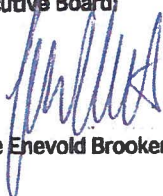
The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

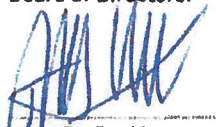
We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 31 May 2017
Executive Board:

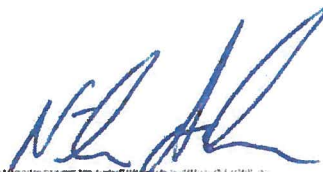


Julie Enevold Brooker

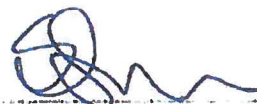
Board of Directors:



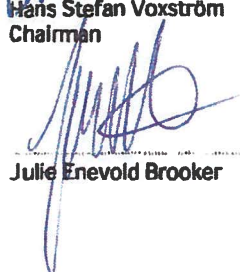
Hans Stefan Voxström
Chairman



Niklas Johan Magnus
Axelsson



Susanne Skovgaard
Nickelsen



Julie Enevold Brooker

Independent auditor's report

To the shareholders of AstraZeneca A/S

Opinion

We have audited the financial statements of AstraZeneca A/S for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including 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 December 2016, and of the results of the Company's operations for the financial year 1 January - 31 December 2016 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 rules and 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 the 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 skepticism 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 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.

Independent auditor's report

- ▶ 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 conclusion is 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 note 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 the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 31 May 2017

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98



Henrik Kyhnau
State Authorised Public Accountant

Management's review

Company details

| | |
|----------------------------|--|
| Name | AstraZeneca A/S |
| Address, Postal code, City | Arne Jacobsens Allé 13, 2300 Copenhagen S |
| CVR no. | 55 74 29 28 |
| Established | 8 May 1943 |
| Registered office | Copenhagen |
| Financial year | 1 January - 31 December |
| Website | www.astrazeneca.dk |
| E-mail | infomaster.dk@astrazeneca.dk |
| Telephone | +45 43 66 64 62 |
| Telefax | +45 43 66 61 00 |
| Board of Directors | Hans Stefan Voxström, Chairman Niklas Johan Magnus Axelsson Susanne Skovgaard Nickelsen Julie Enevold Brooker |
| Executive Board | Julie Enevold Brooker |
| Auditors | KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28, 2100 Copenhagen |

Management's review

Financial highlights

| DKK'000 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---------|---------|---------|---------|---------|
| Key figures | | | | | |
| Revenue | 177,752 | 171,247 | 217,216 | 201,472 | 312,270 |
| Profit before net financials | 5,209 | 8,199 | 9,063 | 10,144 | 19,044 |
| Net financials | -14 | 93 | -525 | -86 | 2,399 |
| Profit/loss for the year | 7,227 | 2,524 | 5,398 | 5,806 | 14,250 |
| Balance sheet | | | | | |
| Total assets | 180,047 | 174,647 | 166,868 | 152,878 | 167,180 |
| Investment in property, plant and equipment | 532 | 26 | 0 | 29 | 74 |
| Equity | 139,753 | 132,526 | 130,002 | 124,604 | 118,798 |
| Financial ratios | | | | | |
| Operating margin | 2.9% | 4.8% | 4.2% | 5.0% | 6.1% |
| Return on assets | 2.9% | 4.8% | 5.7% | 6.3% | 11.4% |
| Current ratio | 457.7% | 428.2% | 471.5% | 577.2% | 360.0% |
| Solvency ratio | 77.6% | 75.9% | 77.9% | 81.5% | 71.1% |
| Return on equity | 5.3% | 1.9% | 4.2% | 4.8% | 12.0% |
| Employees | | | | | |
| Average number of employees | 70 | 77 | 70 | 76 | 90 |

Management's review

Management commentary

Business review

The company is committed to bringing the most meaningful difference to patient health through great medicines. The Company's activities are sales and distribution of pharmaceutical products to the Danish Health Sector. The main products are within the therapy areas of the gastrointestinal diseases, respiratory diseases, cardiovascular diseases, neuroscience and oncology and AstraZeneca is expanding its expertise in those areas.

The Company's product range is essentially manufactured and supplied by other companies in the AstraZeneca group.

Financial review

The company's incomes statement for the year ended 31 December 2016 shows a net profit of DKK 7,277 thousand (2015: DKK 2,524 thousand (profit)), and the balance sheet at 31 December 2016 shows equity of DKK 139,753 thousand (2015: DKK 132,526 thousand).

AstraZeneca A/S achieved a turnover of DKK 177,752 thousand for 2016, which is an increase compared to the turnover of 2015 of DKK 171,247 thousand.

In 2016 the company employed an average of 70 employees.

In December 2015 AstraZeneca entered into a definitive agreement to acquire the core respiratory business of Takeda.

Full acquisition of the global rights will support AstraZeneca's respiratory franchise and complement the company's portfolio of treatments for severe COPD

The agreement will also provide AstraZeneca with access to other marketed medicines and early pipeline products upon completion. AstraZeneca will make a payment of \$575 million.

The net profit for the year compared with previously expressed expectations

The net profit of the year amounts to DKK 7,227 thousand (2015: DKK 2,524 thousand). The net profit represents an increase compared to 2015 but is in line with the expectations for 2016. It is the assessment of the Board of Directors that the net profit of the year is satisfactory.

Products

In 2015 the Company continued to drive financial performance with its well-established portfolio of products in its diverse therapy areas and cost control to ensure a sound profitability.

AstraZeneca globally has divested number of its brands. During a transition period AstraZeneca has arranged for the sales of these brands. The relating revenues and expenses are shown separately as 'discontinued operations' in the Income statement.

The brands in question are:

Carbocaine, EMLA, Entocort, Imdur, Marcaine, Moventig, Rhinocort, Xylocaine, Diprivan.

Investments

No significant investments were made in 2016.

Cash resources

It is estimated that the cash resources will be sufficient to manage the future activities.

Knowledge resources

Continuous growth requires that the Company attracts and retains highly qualified employees working within healthcare.

Management's review

Management commentary

Special risks

The company's substantive operational risk is linked to the ability to be strongly positioned within the various product areas. Furthermore, it is essential for the company to launch new patented products, which quickly will become market leaders within their segments. The company is dependent on group companies for development of new products that can improve the health of patients in the Danish market. Consequently, the risk for the company is a delay in bringing new products to market. Generic pharmaceutical products and parallel imported products also pose a threat to AstraZeneca Denmark sales and market share.

The Company's sales and purchases are made in Danish kroner. Therefore, the company is not exposed to currency risks.

The Company continues to monitor credit exposure and has reviewed the financial position of its major creditors and does not believe it is exposed to any significant risks. The Company's policy of acceptance of credit risks means that all major customers or partners are continuously credit rated.

Impact on the external environment

The Company has no production of pharmaceuticals and it is therefore not a direct burden to the environment. Efforts are made to be a company with environmentally safe operations, and the Company is included in the group's reporting systems concerning the areas Safety, Health and Environment. The group's SHE-management report can be required on www.astrazeneca.com. The Company has a range of SHE initiatives and continues to look for opportunities to improve its SHE standard.

Research and development activities

Research and development activities for patented products are carried out by the parent company, AstraZeneca PLC

Events after the balance sheet date

No major events have occurred after the financial year-end, which would significantly affect the company's financial position.

Outlook

AstraZeneca will continue to focus its attention on patients, HCP's and other stakeholders with high emphasis on collaboration with physicians to provide that AstraZeneca offers a valuable contribution to the development of healthcare. In addition, AstraZeneca is further committed to reviewing its processes to meet future tougher market conditions in terms of public savings in medical costs and increased product competition.

The company expects revenue and profit for 2017 to decline compared to 2016. With a clear strategy, a strong product portfolio and competent staff, sales are expected to be increasing in the longer term, with growth at least equaling the total market.

Financial statements for the period 1 January - 31 December

Income statement

| Note | DKK'000 | 2016 | 2015 |
|------|---|---------|---------|
| | Revenue | 177,752 | 171,247 |
| 2 | Other operating income | 35,424 | 37,265 |
| | Raw materials and consumables | -83,003 | -73,474 |
| | Other external expenses | -61,403 | -59,034 |
| | Gross margin | 68,770 | 76,004 |
| 3 | Staff costs | -63,260 | -67,495 |
| 4 | Amortisation/depreciation and impairment of intangible assets and property, plant and equipment | -301 | -310 |
| | Profit before net financials | 5,209 | 8,199 |
| 5 | Financial income | 253 | 507 |
| 6 | Financial expenses | -267 | -414 |
| | Profit from continuing operations before tax | 5,195 | 8,292 |
| 7 | Tax for the year | -1,356 | -5,768 |
| | Profit for the year from continuing operations | 3,839 | 2,524 |
| 8 | Profit after tax from discontinued operations | 3,388 | 0 |
| | Profit for the year | 7,227 | 2,524 |

Financial statements for the period 1 January - 31 December

Balance sheet

| Note | DKK'000 | 2016 | 2015 |
|------|--|-----------------------|-----------------------|
| | ASSETS | | |
| | Fixed assets | | |
| 9 | Property, plant and equipment | | |
| | Other fixtures and fittings, tools and equipment | 530 | 299 |
| | | <u>530</u> | <u>299</u> |
| | Total fixed assets | <u>530</u> | <u>299</u> |
| | Non-fixed assets | | |
| | Inventories | | |
| | Finished goods and goods for resale | 73 | 118 |
| | | <u>73</u> | <u>118</u> |
| | Receivables | | |
| | Trade receivables | 19,329 | 23,503 |
| | Receivables from group entities | 134,075 | 140,882 |
| 12 | Deferred tax assets | 322 | 386 |
| | Income taxes receivable | 717 | 0 |
| | Other receivables | 1,430 | 1,481 |
| 10 | Prepayments | 1,157 | 717 |
| | | <u>157,030</u> | <u>166,969</u> |
| | Cash | 20,268 | 7,261 |
| 8 | Assets relating to discontinued operation | 2,146 | 0 |
| | Total non-fixed assets | <u>179,517</u> | <u>174,348</u> |
| | TOTAL ASSETS | <u><u>180,047</u></u> | <u><u>174,647</u></u> |

Financial statements for the period 1 January - 31 December

Balance sheet

| Note | DKK'000 | 2016 | 2015 |
|------|--|----------------|----------------|
| | EQUITY AND LIABILITIES | | |
| | Equity | | |
| 11 | Share capital | 57,000 | 57,000 |
| | Retained earnings | 82,753 | 75,526 |
| | Total equity | 139,753 | 132,526 |
| | Provisions | | |
| | Other provisions | 1,075 | 1,409 |
| 13 | Total provisions | 1,075 | 1,409 |
| | Liabilities other than provisions | | |
| | Current liabilities other than provisions | | |
| | Trade payables | 5,254 | 4,741 |
| | Payables to group entities | 2,709 | 0 |
| | Income taxes payable | 734 | 563 |
| | Other payables | 29,147 | 35,408 |
| 8 | Liabilities relating to discontinued operations | 1,375 | 0 |
| | | 39,219 | 40,712 |
| | Total liabilities other than provisions | 39,219 | 40,712 |
| | TOTAL EQUITY AND LIABILITIES | 180,047 | 174,647 |

- 1 Accounting policies
- 14 Contractual obligations and contingencies, etc.
- 15 Related parties

Financial statements for the period 1 January - 31 December

Statement of changes in equity

| | DKK'000 | Share capital | Retained earnings | Total |
|----|----------------------------|---------------|-------------------|----------------|
| | | <u>57,000</u> | <u>73,002</u> | <u>130,002</u> |
| 16 | Equity at 1 January 2015 | 0 | 2,524 | 2,524 |
| | | <u>57,000</u> | <u>75,526</u> | <u>132,526</u> |
| 16 | Equity at 1 January 2016 | 0 | 7,227 | 7,227 |
| | | <u>57,000</u> | <u>82,753</u> | <u>139,753</u> |
| | Equity at 31 December 2016 | | | |

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of AstraZeneca A/S for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act to report medium-sized reporting class C entities.

Changes to presentation and disclosures only

Effective 1 January 2016, the Company has implemented act no. 738 of 1 July 2015 with amendments to the Danish Financial Statements Act. As the implementation of the amendment act has no impact in terms of value on the income statement or the balance sheet in the financial year, nor on the comparative figures, the financial statements have been prepared based on the same accounting policies as last year.

The amendment act has solely implied new or changed presentation and disclosure requirements, which have been incorporated in the financial statements.

Changes in the entity's activities

Discontinued operations are a significant part of the company if it is possible to clearly separate activities and cash flow operationally and financially from the remaining activities and where the unit is sold or separated for sale and the sales is expected carried through within a year. The profit after tax from discontinued operations are presented in a separate line in the income statement. The revenue, the expenses and the tax concerning the discontinued operations are presented in a note.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The entity's cash flows are part of the consolidated cash flow statement for the parent company, AstraZeneca AB, Sweden.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from the sale of goods is recognised in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be made up reliably and is expected to be received.

Revenue is measured at fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts and rebates granted are deducted in revenue.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of non-current assets.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Raw materials and consumables, etc.

Raw materials and consumables include expenses relating to raw materials and consumables used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

R&D costs are charged to the profit & loss account in the year they are incurred.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

| | |
|-----------------------|---------|
| Furniture & equipment | 5 years |
| Vehicles | 5 years |
| IT-equipment | 3 years |

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment of non-current assets

Every year, property, plant and equipment are reviewed for impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Assets relating to discontinued operations

Assets relating to discontinued operations comprise non-current assets expected to be sold in connection with the discontinued operations and disposal groups, which are defined as a group of assets which are to be disposed of together as a group in a single transaction. Liabilities associated with assets relating to discontinued operations are liabilities directly associated with these assets and which are to be transferred in the transaction. Assets are classified as assets relating to discontinued operations where Management has drawn up a formal plan to sell, close down or abandon the operations concerned and the relevant assets and liabilities can be separated from the continuing operations.

Where the residual amount of assets classified as discontinued operations exceeds the carrying amount, no further amortisation/depreciation charges are recognised.

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Provisions

Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Provisions for deferred tax are calculated, based on the liability method, of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income.

Deferred tax is measured according to the taxation rules and taxation rates in the respective countries applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated under "Financial highlights" have been calculated as follows:

| | |
|------------------|--|
| Operating margin | $\frac{\text{Operating profit} \times 100}{\text{Revenue}}$ |
| Return on assets | $\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$ |
| Current ratio | $\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$ |
| Solvency ratio | $\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$ |
| Return on equity | $\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$ |

| DKK'000 | 2016 | 2015 |
|---|---------------|---------------|
| 2 Other operating income | | |
| Income from the group regarding clinical research | 21,035 | 12,098 |
| Marketing subvention from the group | 14,389 | 25,105 |
| Other | 0 | 62 |
| | <u>35,424</u> | <u>37,265</u> |
| 3 Staff costs and incentive programmes | | |
| Wages/salaries | 57,154 | 61,543 |
| Pensions | 5,098 | 5,145 |
| Other social security costs | 1,008 | 807 |
| | <u>63,260</u> | <u>67,495</u> |
| Average number of full-time employees | <u>70</u> | <u>77</u> |

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

Incentive programmes

The management of the company participates in a share based payment scheme. The scheme is handled by the ultimate parent company AstraZeneca PLC, UK. Reference is made to the annual report of AstraZeneca PLC, UK, for a description of the content of the scheme.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

| DKK'000 | | 2016 | 2015 |
|-----------------------|---|--------------|--------------|
| 4 | Depreciation of property, plant and equipment | | |
| | Depreciation of property, plant and equipment | 301 | 310 |
| | | <u>301</u> | <u>310</u> |
| 5 | Financial income | | |
| | Interest receivable, group entities | 13 | 11 |
| | Exchange adjustments | 0 | 454 |
| | Exchange gain | 89 | 38 |
| | Other financial income | 151 | 4 |
| | | <u>253</u> | <u>507</u> |
| 6 | Financial expenses | | |
| | Exchange adjustments | 125 | 61 |
| | Exchange losses | 0 | 33 |
| | Other financial expenses | 142 | 320 |
| | | <u>267</u> | <u>414</u> |
| 7 | Tax for the year | | |
| | Estimated tax charge for the year | 2,816 | 3,303 |
| | Deferred tax adjustments in the year | 64 | 49 |
| | Tax adjustments, prior years | -569 | 2,416 |
| | | <u>2,311</u> | <u>5,768</u> |
| Specified as follows: | | | |
| | Tax on continuing operations | 1,356 | 5,768 |
| | Tax on discontinued operations, see note 8 | 955 | 0 |
| | | <u>2,311</u> | <u>5,768</u> |

Financial statements for the period 1 January - 31 December

Notes to the financial statements

8 Profit from discontinued operations

Profit from discontinued operations is broken down on main items below:

| DKK'000 | 2016 | 2015 |
|---|--------|------|
| Revenue | 9,994 | 0 |
| Expenses | -5,651 | 0 |
| Profit before tax | 4,343 | 0 |
| Tax on profit/loss | -955 | 0 |
| Profit after tax from discontinued operations | 3,388 | 0 |

Assets and liabilities regarding discontinued operations 2016

| DKK'000 | 2016 | 2015 |
|--|-------|------|
| Assets relating to discontinued operation #1 | 2,146 | 0 |
| Assets relating to discontinued operations | 2,146 | 0 |
| Liabilities relating to discontinued operations #1 | 1,375 | 0 |
| Liabilities relating to discontinued operations | 1,375 | 0 |
| Net assets relating to discontinued operations | 771 | 0 |

9 Property, plant and equipment

| DKK'000 | Other fixtures and fittings, tools and equipment |
|---|--|
| Cost at 1 January 2016 | 3,648 |
| Additions in the year | 532 |
| Disposals in the year | -431 |
| Cost at 31 December 2016 | 3,749 |
| Impairment losses and depreciation at 1 January 2016 | 3,349 |
| Amortisation/depreciation in the year | 301 |
| Reversal of amortisation/depreciation and impairment of disposals | -431 |
| Impairment losses and depreciation at 31 December 2016 | 3,219 |
| Carrying amount at 31 December 2016 | 530 |

Financial statements for the period 1 January - 31 December

Notes to the financial statements

10 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years. The balance sheet item mainly consist of prepaid lease costs.

| DKK'000 | 2016 | 2015 |
|--|---------------|---------------|
| 11 Share capital | | |
| Analysis of the share capital: | | |
| 50,000 shares of DKK 100.00 nominal value each | 5,000 | 5,000 |
| 20 shares of DKK 500,000.00 nominal value each | 10,000 | 10,000 |
| 1 shares of DKK 15,000,000.00 nominal value each | 15,000 | 15,000 |
| 2 shares of DKK 10,000,000.00 nominal value each | 20,000 | 20,000 |
| 1 shares of DKK 7,000,000.00 nominal value each | 7,000 | 7,000 |
| | <u>57,000</u> | <u>57,000</u> |

The Company's share capital has remained DKK 57,000 thousand over the past 5 years.

| DKK'000 | 2016 | 2015 |
|-------------------------------|-------------|-------------|
| 12 Deferred tax | | |
| Deferred tax relates to: | | |
| Property, plant and equipment | -322 | -76 |
| Provisions | 0 | -310 |
| | <u>-322</u> | <u>-386</u> |

13 Provisions

Other provisions comprise provisions for expected payment of returned goods and discounts and loss on future sales contracts, totalling DKK 1,075 thousand. The provisions are expected to mature within 12 months.

14 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

| DKK'000 | 2016 | 2015 |
|----------------------------|--------------|--------------|
| Rent and lease liabilities | <u>5,992</u> | <u>9,048</u> |

The Company has entered into an office rent agreement with minimum rent payments in the termination period of DKK 1.2 million. DKK 1.0 million is payable within 1 year, and DKK 0.2 million is due within 2-5 years.

The Company has entered into operational leases with minimum lease payments in the termination period of DKK 4.8 million. DKK 2.8 million is payable within 1 year, and DKK 2.0 million is due within 2-5 years.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

15 Related parties

AstraZeneca A/S' related parties comprise the following:

Parties exercising control

| Related party | Domicile | Basis for control |
|----------------------------|---------------|----------------------|
| AstraZeneca Continent B.V. | Netherlands | Controlling interest |
| AstraZeneca AB | Sweden | Controlling interest |
| AstraZeneca PLC | Great Britain | Controlling interest |

Information about consolidated financial statements

| Parent | Domicile |
|----------------------------|---|
| AstraZeneca Continent B.V. | Louis Pasteurlaan 5, 2719 EE Zoetermeer, Holland, Netherlands |
| AstraZeneca AB | Karlebyhus, Astraallén, Södertälje, SE-151 85 Sweden |

Related party transactions

All transactions have been carried through on normal market terms.

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

| Name | Domicile |
|----------------------------|---|
| AstraZeneca Continent B.V. | Louis Pasteurlaan 5, 2719 EE Zoetermeer, Holland, Netherlands |
| AstraZeneca AB | Karlebyhus, Astraallén, Södertälje, SE-151 85 Sweden |

16 Appropriation of profit

Recommended appropriation of profit
Retained earnings

| | |
|-------|-------|
| 7,227 | 2,524 |
| 7,227 | 2,524 |