



Annual Report | 2009

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KEY FIGURES

DKK million	2009	2008	2007*
KEY FIGURES			
Net sales	1,763.5	1,639.9	900.2
EBITDA**	451.1	386.3	95.8
EBITDA before other income and expenses**	498.6	427.0	128.2
Adjusted EBITDA**	498.6	427.0	229.2
Operating profit/(loss) before other income and expenses	232.2	178.3	(17.6)
Other income and expenses	(47.5)	(40.7)	(32.4)
Operating profit/(loss)	184.8	137.6	(50.0)
Net financials	(303.7)	(428.9)	(59.7)
Profit/(loss) before tax	(119.0)	(291.3)	(109.6)
Net profit/(loss) for the year for continuing operations	(149.6)	(304.8)	(84.8)
Net profit/(loss) for discontinued operations	29.7	0.0	(21.0)
Net profit/(loss) for the year	(119.8)	(304.8)	(105.8)
Total assets	8,404.4	8,329.1	8,598.9
Investments in property, plant and equipment	(174.6)	(157.7)	(60.3)
Equity	2,798.9	2,831.7	3,219.8
Net interest-bearing debt	4,065.6	3,958.5	3,672.6
Net working capital	431.6	316.7	294.5
Cash flows from operating activities	132.8	55.6	59.9
Cash flows from investing activities	(228.2)	(171.2)	(6,375.9)
Cash flows (to)/from financing activities	48.0	(96.7)	6,521.9
RATIOS			
EBITDA (%)**	25.6	23.6	10.6
EBITDA before other income and expenses (%)**	28.3	26.0	14.2
Adjusted EBITDA (%)**	28.3	26.0	25.5
Operating profit before other income and expenses (%)	13.2	10.9	(2.0)
Operating profit (%)	10.5	8.4	(5.6)
Effective tax rate (%)	(25.7)	(4.6)	22.6
Equity ratio (%)	33.3	34.0	37.4
Financial gearing	1.5	1.4	1.1
Return on equity (%)	(4.3)	(10.8)	(3.3)
Number of employees (average), continuing operations	1,036	1,048	1,047
Dividend per share	-	-	-

See Financial definitions for method of calculation of key figures and ratios.

* Dako A/S was founded on February 25, 2007. Consolidated figures for 2007 are presented for the period May 31, 2007 to December 31, 2007 as the Dako Group was founded on May 31, 2007.

** EBITDA, EBITDA before other income and expenses and Adjusted EBITDA (together "EBITDA") are non-IFRS measures. "EBITDA" is presented as a supplemental performance measure to facilitate operating performance comparisons from period to period by eliminating potential differences between periods caused by variations in capital structure, tax positions, and the age of and depreciation expenses associated with fixed assets. "EBITDA" should not be considered in isolation or as a substitute for operating profit or other statements of operations or cash flow data prepared in accordance with IFRS as a measure of profitability or liquidity. "EBITDA" does not take into account debt service requirements and other commitments, including capital expenditures, and, accordingly, is not necessarily indicative of amounts that may be available for discretionary uses. In addition, "EBITDA", as presented in this Annual Report, may not be comparable to similarly titled measures reported by other companies due to differences in the way these measures are calculated. Below is a reconciliation of "EBITDA" with operating profit in DKK million:

Operating profit/(loss)	184.8	137.6	(50.0)
Depreciation, amortization and impairment losses	266.3	248.7	145.8
EBITDA	451.1	386.3	95.8
Other income and expenses	47.5	40.7	32.4
EBITDA before other income and expenses	498.6	427.0	128.2
Fair value adjustment	0.0	0.0	101.0
Adjusted EBITDA	498.6	427.0	229.2

MANAGEMENT'S REVIEW

During 2009, Dako and the new management team have further developed Dako's strategy. The strategy is to be the first choice for staining in Anatomic Pathology laboratories and to deliver the highest standards and accuracy in cancer diagnostics via the following focus areas:

- Leading reagent portfolios supported by competitive automated systems
- Commercial excellence in portfolio management, product launches and sales execution
- Leading customer service and support

Dako is a well-established global company with a leading position in the pathology segment of the in vitro diagnostics industry ("IVD"). Since the first introduction of antibody-based reagents for clinical immunochemistry in 1967, Dako has grown into a company with more than 1,000 employees that develops, manufactures and markets reagents, antibodies, instruments and software worldwide for use in anatomic pathology laboratories.

Through the Reagent Partnership activity, Dako develops, manufactures and sells antibody-based products within the area of specific proteins and immunoassays for turbidimetry as well as reagents for flow cytometry, the end-users being clinical laboratories and hospitals.

The Annual Report follows the Danish Venture Capital and Private Equity Association (DVCA) guidelines where relevant.

Performance in 2009

In 2009 Dako realized net sales of DKK 1,764 million, up 8% from 2008 (2008: DKK 1,640 million). Measured in local currencies, Dako showed organic growth of 6%. EBITDA as defined in this Annual Report (see page 3) amounted to DKK 499 million (2008: DKK 427 million) excluding other income and expenses, 17% above 2008 and equivalent to a 28% EBITDA margin (2008: 26%).

The increase in EBITDA came as a result of the growth in revenue combined with higher gross margins due to higher production efficiency. Operational expenses increased by 5%. During 2009, restructurings have been executed at the larger sites in the US and Denmark in order to improve efficiency. Restructuring costs amount to DKK 47 million and are included in Other income and expenses.

EBITDA (before other income and expenses) was realized at DKK 499 million or 28% of sales, compared to DKK 427 million or 26% of sales in 2008, primarily due to the fact that sales increased more than operating expenses.

Although showing all-time high sales and EBITDA, Dako holds bigger potential and is expecting higher future growth rates and results.

Net loss for the year amounted to DKK 120 million (2008: DKK 305 million), including amortization of intangibles of DKK 160 million (2008: DKK 161 million) and net financial costs of DKK 304 million in 2009 (2008: DKK 429 million). The net financial costs include unrealized exchange gains of DKK 48 million (2008: DKK 80 million in exchange loss) primarily related to the Group's USD loans.

DKK million	2009	2008
Revenue	1,763.5	1,639.9
Growth measured in local currencies	5.9%	10.0%
EBITDA (as defined on page 3 of this Annual Report) before other income and expenses	498.6	427.0
EBITDA margin	28.3%	26.0%

Organic growth in 2009 was negatively impacted by the economic slowdown, especially in the second part of the year. Factors affecting future growth include the transition to the revised strategy, the ongoing launch of new products and geographical expansion. Late 2009, Dako established subsidiaries in Brazil and China, which are seen as significant future growth opportunities.

Dako's core focus is on the Anatomic Pathology market where it enjoys a leading market share. This area accounts for 85% (2008: 84%) of Dako's sales and showed sales growth of 6% (2008: 10%) in local currencies.

The remaining 15% (2008: 16%) of sales come from the Reagent Partnership business area, which has production synergies with the Anatomic Pathology business. Reagent Partnership showed organic growth of 3% in 2009 (2008: 6%).

In terms of sales, Europe continues to be the largest geographical region with 46% (2008: 49%) of total sales, followed by North America at 32% (2008: 30%) and the Rest of the World at 22% (2008: 21%). Organic growth has been strongest within sales of pathology products in the Rest of the World and Europe (6%), followed by North America (5%).

Strategic initiatives

In 2009 Dako continued to pursue partnership opportunities within the increasingly important area of personalized medicine (PharmDx) and other partnerships with companies with matching technologies.

On January 28, 2009 Dako announced a collaboration with OSI Pharmaceuticals, Inc. to develop a new cancer diagnostic test as a potential companion product for a cancer therapy. The cancer diagnostic test is intended to identify patients more likely to benefit from a specific treatment.

On August 11, 2009 Dako signed an agreement with Genentech to collaborate on the regulatory submissions for Dako's HercepTest™ and HER2 FISH pharmDx™ as companion diagnostics for Herceptin in the US market. This is in order to identify stomach cancer patients who may be eligible for treatment with Herceptin.

Dako has a successful history in diagnostic test development, and these collaborations are in line with the company's ongoing strategy to collaborate with strong partners in the pharmaceutical sector to enhance the offering of Dako's companion diagnostic assays.

Organization and management

On January 19, 2009 Lars Holmqvist was appointed President & CEO. The decision to appoint a new CEO was made to accelerate Dako's business strategy and enhance focus on realizing Dako's long-term growth potential. Lars Holmqvist came from a position as President at Applied Biosystems, International, where he had worked since 2004.

To fully exploit Dako's growth potential, sales management was strengthened during 2009. Juan Guerra came to Dako in May as Vice President of sales in Europe and joined Corporate Management as CVP, Sales, Europe in July. In September 2009 Lisa Miller took up the position of CVP, Sales, Americas. Both bring extensive leadership skills and proven track records from leading positions in large corporations.

In August 2009 Michael Rasche was appointed CVP, Global Marketing in order to further develop our competences within commercial excellence in portfolio management and state-of-the-art product launch processes. Michael Rasche brings extensive leadership skills and a proven track record.

Ferran Prat, former head of sales, North America and Europe, took up the important position of CVP, Global Service in August 2009 and will continue to pursue Dako's strategic objective of remaining and further developing the position as a leading provider of customer service and support.

A number of key hires have been made in middle management to support new initiatives in the areas of Sales Management (in the Americas, Europe and Asia), R&D, Finance and Legal. With these changes in top and middle management, Dako has substantially improved its ability to execute its strategy and is well positioned to enhance future growth.

The total number of employees declined marginally during 2009 due to initiatives to improve efficiency in first quarter 2009. At the beginning of 2009 the number of employees was 1,048, compared to 1,036 by the end of 2009, divided between Europe with 667 (2008: 652), North America with 318 (2008: 348) and the Rest of the World with 51 (2008: 48).

Stakeholders

Dako strives to continuously develop and sustain good stakeholder relations. Dako's communication policy is to support openness and transparency, and Dako is committed to sharing knowledge and engaging in dialog with all relevant stakeholders at all times – internally and externally. Dako's communication policy and procedures work to ensure that investors, employees, customers and authorities are provided with relevant information at the right time.

Subsequent events

On January 18, 2010 Dako and AstraZeneca announced they had signed an agreement to develop companion diagnostics products (PharmDx) for cancer treatment.

The Board of Directors and Executive Management are not aware of any other events subsequent to December 31, 2009 which may have a material impact on the Group's financial position.

Expectations for 2010

Dako anticipates growth in local currencies of 10% in 2010 (2009: 6%) and an improved and positive operating profit before other income and expenses.

Management monitors the development of the financial crisis and the impact on Dako closely.

Disclaimer

Statements that are forward-looking are subject to risks, inaccurate assumptions and uncertainties. The consequence is that the actual results may not meet expectations. The future results could be influenced by factors such as interest rate and exchange rate fluctuations, failure of development projects, production challenges, price decreases influenced by government and reimbursement rules, introduction of competitive products, Dako's ability to successfully market new and existing products, product liability exposure and other law-suits as well as unexpected growth in expenses.

Corporate governance

Dako is committed to good corporate governance. Although its shares are not listed, Dako follows developments in national and international recommendations for corporate governance, including the recommendations for companies listed on NASDAQ OMX Copenhagen A/S. However, as the share capital in Dako is primarily indirectly owned by funds advised by EQT Partners, certain recommendations for good corporate governance primarily targeted at companies with a broader shareholder base are not considered relevant for Dako.

Stakeholders, openness and transparency

Dako considers it important to create, develop and maintain good relations with its stakeholders, including existing and future partners, customers, employees, investors, authorities and the general public, as such relations are considered to be important and positive for the Company's further development of its business and value.

Through its corporate website at www.dako.com, Dako posts corporate information and announcements, including financial statements, and information regarding Dako's mission, vision and values, as well as product information and support. The corporate website is supplemented by country-specific websites.

Dako has prepared its consolidated financial statements for 2009 in accordance with the International Financial Reporting Standards (IFRS) as adopted in the EU, and the statutory adoption of the IFRS pursuant to the Danish Financial Statements Act. The accounting policies are described in note 1 to the consolidated financial statements.

General Meeting

The General Meeting is Dako's supreme governing body. Notice of General Meetings is given at least eight days before a meeting is held in order for the shareholders to prepare for the meeting. All shareholders have the right to participate in General Meetings and submit proposals for consideration at the General Meeting.

Management

In accordance with the Danish Companies Act, Dako has a two-tier management structure comprising the Board of Directors and the Executive Management. Dako's Board of Directors comprises seven members elected by the General Meeting in accordance with the Danish Companies Act. The Board of Directors appoints the Executive Management.

The Board of Directors approves the strategy and overall guidelines for Dako's operations and development, ensures that an appropriate organizational structure is in place and monitors ongoing business and financial developments. However, the Board of Directors does not actively participate in the day-to-day management of Dako, for which the Executive Management is responsible.

The Board of Directors met seven times in 2009.

The Board of Directors functions in accordance with the Danish Companies Act, the Articles of Association and the Board's rules of procedure, which include certain special duties assigned to the Chairman of the Board of Directors.

The members of the Board of Directors receive a fixed annual fee and are offered the chance to participate in the incentive program described below.

Audit Committee

The Board of Directors has established an Audit Committee, which evaluates Dako's external financial reporting, main accounting policies and estimates, and systems of internal controls and risk management. Further, the Audit Committee considers the relationship to Dako's external auditors and reviews the audit process. The Audit Committee consists of two members of the Board of Directors. The elected auditors, the CEO and CFO participate in meetings of the Audit Committee when invited by the Audit Committee.

Internal controls

The Audit Committee approves the controlling strategy for the year. Corporate Finance carries out internal control visits in order to ensure that the subsidiaries have established sound internal control environments and that they comply with Group policies.

Incentive program

Dako has established a management participation program under which the members of the Board of Directors, the Executive Management and a number of key managers in the Dako Group are offered the opportunity to make an investment in Dako. The program is structured as a direct investment in shares in Dako A/S.

External auditors

KPMG has been elected by the Annual General Meeting as Dako's external auditors. KPMG has been the Dako Group's external auditors continuously since 2002. The fees to KPMG in 2009 are set out in note 7.

Risk management

Risks may influence many aspects of Dako's business worldwide. By establishing methods and processes to identify and manage existing and emerging risks Dako seeks to optimize its control of such risks and create a better foundation for decisions which support its strategy and protect its business.

In 2009, Dako strengthened its risk management efforts by systematically working toward developing and implementing an Enterprise Risk Management (ERM) framework and embedding a proactive risk culture. Dako has established a Risk Office and appointed a Risk Manager, who is responsible for ensuring efficient and effective governance of the ERM framework, and of risks and related opportunities identified via the ERM. In addition, Dako's ERM framework describes how roles and responsibilities pertaining to identification, evaluation and mitigation of risks are anchored throughout Dako's organization.

Dako's ERM framework ensures that risks are identified on an ongoing basis at multiple levels throughout Dako. Risks in this context include both financial and non-financial risks which might affect Dako in a material way, whether in the discovery or development phase of a product, in the manufacturing phase or in the marketing or sales phase. ERM helps Dako's Management identify particular events or circumstances which may be relevant to Dako's strategic goals, assessing them in terms of likelihood and magnitude of impact, determining a response strategy and potential mitigating actions, and monitoring progress. In this way Dako's ERM framework protects Dako's business and creates value for all its stakeholders.

Key risks

Research and development

As a company engaged in research and development, a key risk for Dako is the uncertainty inherent in being involved in such activities – delays may occur when engaged in research or development, and projects may from time to time have to be abandoned as it may become apparent that they will not result in a product or that continued development is not profitable.

Dako has implemented a project prioritization model and a new portfolio management process to eliminate unprofitable research and development projects in order to ensure that all projects support Dako's strategic goals.

Emerging markets

In 2009 Dako focused on establishing subsidiaries in São Paulo in Brazil and Shanghai in China. Having a direct presence in these emerging markets presents a strategic opportunity for Dako, and Dako has a strong focus on how to exploit the opportunities in these markets in accordance with its strategic goals. Dako has hired key talents with solid experience relating to the Brazilian and Chinese markets to support its strategic focus and expansion within these two markets.

Intellectual property rights

Dako's products are to a large extent covered by intellectual property rights. Both through its own work and through collaborations with external partners Dako is continuously working to expand its product portfolio and develop new intellectual property to maintain and support Dako's business.

Production

It is important to ensure that Dako maintains its position as a reliable supplier and that laboratories have access to Dako's products at all times to perform cancer diagnostics. Dako carefully monitors the supply situation and as a general rule maintains a safety stock to ensure that it would still be able to supply even in the event of a temporary production breakdown.

Sales and marketing

Market changes such as price reductions may have a considerable impact on the earnings potential of cancer diagnostic tests and reagents, for example if local authorities change the rules for subsidizing such products. Dako continuously seeks to adjust its organization to accommodate changes in market conditions and invests considerable resources in ensuring that it provides competitive, high-quality products to be used for diagnostic tests.

Qualified employees

Employee costs are Dako's single largest cost item, and the Group's competitive strength depends in part on its ability to attract, train and retain employees with the right qualifications and the right experience. In order to do this, leadership and talent development programs have been established. In addition, Dako is focusing on creating a healthy and safe work environment for its employees as described under Corporate Social Responsibility.

Financial risks

Financial risks are described in the notes to the financial statements.

Corporate Social Responsibility

Dako is taking its first steps within corporate social responsibility and developing practices relating to this, and therefore it is too soon to evaluate the impact of planned initiatives. Dako will, however, continue to work to develop this area further and to implement more firm policies in order to encourage ethical and socially responsible behavior.

Health and safety

It is Dako's policy to take responsibility for its employees by providing a safe and healthy work environment and by encouraging its employees to live a healthy lifestyle.

Dako's production has been established in a way that supports a safe work environment and Dako strives to prevent accidents and injuries. Wherever possible, work conditions are adjusted to the individual employee with respect to the work station, equipment and work processes and methods. Efforts are made to limit monotonous work in order to reduce the impact on the employee's health. Work place assessments are conducted, and Dako evaluates the work environment throughout its organization on an ongoing basis in order to identify possible ways of optimizing this environment. As a result of such assessments, in 2009 Dako implemented new production-related procedures and new production equipment to facilitate an improved work environment.

In order to ensure that Dako is and continues to be a safe and healthy place to work, Dako keeps statistical data on all accidents and near-accidents. These data are used to identify areas where adjustments or improvements to the work environment may be needed.

When it comes to encouraging its employees to live a healthy lifestyle, Dako has implemented a number of initiatives. Examples of such initiatives are a fitness center which Dako has established for its employees and sponsoring employees' participation in various sports activities. Dako offers all employees a canteen serving healthy food and fruit, and in 2009 Dako established the "Energy09" weight loss program in which a number of employees were offered help to lose weight through exercising, dieting and education in nutrition. The impact of these initiatives is not measured as such, but Dako believes that they help raise awareness amongst its employees of the importance of living a healthy lifestyle.

Responsible business practices in relation to suppliers

It has been Dako's policy primarily to focus on raising awareness internally of the importance of acting in an ethical and socially responsible manner. Dako's policy is to continue working on this but the company will also work toward increasing its influence on suppliers by encouraging them to behave in an ethical and socially responsible manner, for example by engaging in dialogs with suppliers on issues related to corporate social responsibility.

In 2009 Dako worked toward implementing an enterprise risk reporting system. This system is also expected to facilitate mapping and evaluation of potential ethical risks, both internally and arising from the collaboration with suppliers. This will help Dako determine if the company needs to enforce controls on the supplier or otherwise engage in discussions with the supplier on ethical and socially responsible standards. Dako recognizes that there are different laws and cultures in the countries in which Dako operates and thus that its suppliers have to work under different circumstances and requirements. However, ensuring that its suppliers respect human rights and the rights granted to employees in relevant laws and standards will be a priority for Dako.

Environment, energy and climate

Dako fulfills the requirements set forth in applicable laws and regulations concerning environmental matters, and has implemented specific initiatives with respect to handling of waste and recycling of paper. However, Dako does not have a specific policy relating to the environment, energy and climate.

Financial review

Accounting policies

Dako prepares its consolidated financial statements and parent company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and additional Danish disclosure requirements, cf. the statutory order on adoption of IFRS issued pursuant to the Danish Financial Statements Act.

This Annual Report covers the period January 1, 2009 to December 31, 2009.

In connection with the acquisition of Dako and underlying subsidiaries, intangibles were separated from goodwill as part of the purchase price allocation. The fair value of the acquired know-how as well as customer contracts and relationships is amortized over the estimated useful lives. The value of the Dako brand is not amortized as the useful life is considered indefinite.

Overview of financial results in 2009

In 2009 Dako realized net sales of DKK 1,764 million (2008: DKK 1,640 million). Dako showed actual growth of 8%. Measured in local currencies, Dako showed organic growth of 6%. Operating profit before other income and expenses was DKK 232 million, equivalent to a margin of 13% (2008: DKK 178 million; 11%). Operating profit before other income and expenses was DKK 365 million, equivalent to a 21% margin (2008: DKK 311 million; 19% margin) when excluding amortization of intangibles of DKK 132 million (2008: DKK 132 million) recognized in connection with the acquisition of Dako.

EBITDA as defined in this Annual Report (see page 3) amounted to DKK 499 million (2008: DKK 427 million), excluding other income and expenses, equivalent to a 28% margin (2008: 26%).

Net loss for the year amounted to DKK 120 million (2008: DKK 305 million), including amortization of intangibles of DKK 160 million (2008: DKK 161 million) and net financial costs of DKK 304 million (2008: DKK 429 million). The latter include unrealized exchange gains of DKK 48 million (2008: DKK 80 million in exchange loss) primarily related to the Group's USD loans.

Net profit for discontinued operations

Net profit for discontinued operations in 2009 amounted to DKK 30 million (2008: DKK 0 million), which was a reversal of a provision for representations and warranties.

Consolidated income statement (excluding amortization of intangibles recognized in connection with the acquisition of Dako)

Key figures DKK million	2009	2008	2009 % of revenue	2008 % of revenue
Revenue	1,763.5	1,639.9	-	-
Gross profit	1,201.4	1,103.9	68.1	67.3
Sales and distribution expenses	(483.0)	(440.5)	27.4	26.9
Research and development expenses	(184.4)	(188.4)	10.5	11.5
Administrative expenses	(169.4)	(164.3)	9.6	10.0
Operating expenses	(836.8)	(793.2)	47.5	48.4
Operating profit/(loss) before other income and expenses	364.6	310.7	20.7	18.9
Operating profit/(loss)	317.1	269.9	18.0	16.5
Net financials	(303.7)	(428.9)	17.2	26.2
Tax on profit/(loss) for the year	(63.7)	(49.4)	3.6	3.0
Net profit/(loss) for the year	(50.3)	(208.3)	2.9	12.7
EBITDA as defined in this Annual Report (page 3)	451.1	386.3	25.6	23.6
EBITDA before other income and expenses	498.6	427.0	28.3	26.0

Consolidated income statement

Key figures DKK million	2009	2008	2009 % of revenue	2008 % of revenue
Revenue	1,763.5	1,639.9	-	-
Gross profit	1,162.4	1,064.9	65.9	64.9
Sales and distribution expenses	(576.3)	(533.9)	32.7	32.6
Research and development expenses	(184.4)	(188.4)	10.5	11.5
Administrative expenses	(169.4)	(164.3)	9.6	10.0
Operating expenses	(930.2)	(886.6)	52.7	54.1
Operating profit/(loss) before other income and expenses	232.2	178.3	13.2	10.9
Operating profit/(loss)	184.8	137.6	10.5	8.4
Net financials	(303.7)	(428.9)	17.2	26.2
Tax on profit/(loss) for the year	(30.6)	(13.5)	1.7	0.8
Net profit/(loss) for the year	(119.8)	(304.8)	6.8	18.6
EBITDA as defined in this Annual Report (page 3)	451.1	386.3	25.6	23.6
EBITDA before other income and expenses	498.6	427.0	28.3	26.0

Sales

Total sales amounted to DKK 1,764 million (2008: DKK 1,640 million). Dako's key business area, Anatomic Pathology (85% of Dako's business), achieved organic growth of 6% (2008: 10%). Sales for the Reagent Partnership business area achieved organic growth of 3% (2008: 6%).

In terms of sales, Europe continues to be the largest geographical region with 46% (2008: 49%) of total sales, followed by North America at 32% (2008: 30%) and the Rest of the World at 22% (2008: 21%). Organic growth has been strongest within sales of pathology products in the Rest of the World and Europe (6%), followed by North America (5%).

Gross profit and cost of goods sold

The gross margin for the year was 66% (2008: 65%), which was in line with expectations. Excluding amortization of know-how recognized in connection with the acquisition of Dako and underlying subsidiaries, the gross margin amounted to 68% (2008: 67%).

Operating expenses

Total operating expenses were DKK 930 million in 2009, equivalent to 53% of sales (2008: DKK 887 million; 54%), including amortization of customer contracts and relationships of DKK 93 million (2008: DKK 93 million) recognized in connection with the acquisition of Dako and underlying subsidiaries. Excluding amortization of customer contracts and relationships, operating expenses amounted to 48% of sales (2008: 48%).

Total sales and distribution expenses were DKK 576 million (2008: DKK 534 million). Sales and distribution expenses are the largest single cost in the organization, representing 33% of sales (2008: 33%). Excluding amortization of customer contracts and relationships, sales and distribution expenses amounted to 27% of sales (2008: 27%).

Research and development expenses, including regulatory affairs, were DKK 184 million, equivalent to 11% of sales (2008: DKK 188 million; 11%). The research and development activities primarily relate to reagents projects and instrument development. In regard to instrument development the company has also capitalized DKK 54 million (2008: DKK 4 million) during the year.

Administrative expenses were DKK 169 million in 2009 or 10% of net sales (2008: DKK 164 million; 10%).

Operating profit/(loss) before other income and expenses

The factors discussed above resulted in operating profit before other income and expenses of DKK 232 million (2008: DKK 178 million). Excluding amortization of intangibles recognized in connection with the acquisition of Dako and underlying subsidiaries, operating profit amounted to DKK 365 million, equivalent to 21% of sales (2008: DKK 311 million; 19%).

Operating profit/loss

The operating profit of DKK 185 million, equivalent to 11% of sales (2008: DKK 138 million; 8%), reflects, among other things, other costs and amortization of intangibles of DKK 132 million (2008: DKK 132 million) recognized in connection with the acquisition of Dako. Excluding amortization of intangibles and purchase price allocations in connection with the acquisition of Dako and underlying subsidiaries, operating profit amounted to DKK 317 million, equivalent to 18% (2008: DKK 270 million; 17%).

Net financials and tax

Net financial costs amounted to DKK 304 million in 2009 (2008: DKK 429 million). These include unrealized exchange gains of DKK 48 million (2008: DKK 80 million in exchange loss) primarily related to the Group's USD loans.

Tax on profit/(loss) for the year was DKK 31 million (2008: DKK 14 million). The effective tax rate for 2009 is negative 26% (2008: 5%). This is mainly caused by the tax effect of the Danish rules on limitation of net interest deductibility, which amounted to DKK 58 million in 2009 (2008: DKK 85 million).

Net profit for discontinued operations

The net profit for discontinued operations amounted to DKK 30 million.

Cash flows

Cash flows from operating activities were DKK 133 million (2008: DKK 56 million). Trade payables and other liabilities decreased by DKK 7 million (2008: DKK 62 million). Accounts receivable increased by DKK 64 million (2008: DKK 5 million decrease), while inventories increased by DKK 48 million (2008: DKK 41 million decrease). Cash flows from investing activities for the year were negative at DKK 228 million (2008: DKK (171) million) after net investments of DKK 228 million (2008: DKK 145 million) and acquisition of subsidiaries of DKK 0 million (2008: DKK 26 million).

Cash flows from financing activities were net positive at DKK 48 million (2008: DKK (97) million). The amount represents drawings on the Revolving Credit Facility, which is part of the credit facilities established in connection with the acquisition of Dako in May 2007.

Cash, net of current bank loans, was negative at DKK 60 million at December 31, 2009 (2008: DKK (14) million). Borrowings are mainly in EUR and USD, although some financing has been taken out in other currencies, as dictated by business needs.

Investments

Gross investments in 2009 amounted to DKK 234 million (2008: DKK 148 million), of which DKK 92 million (2008: DKK 19 million) relate to intangibles and DKK 142 million (2008: DKK 128 million) to property, plant and equipment.

Consolidated balance sheet**Total assets**

Total assets amounted to DKK 8,404 million at December 31, 2009 (2008: DKK 8,329 million), of which DKK 7,647 million was non-current assets (2008: DKK 7,657 million), primarily intangible assets, and DKK 758 million (2008: DKK 672 million) was current assets, primarily inventories of DKK 292 million (2008: DKK 247 million), and trade receivables and other receivables of DKK 403 million (2008: DKK 334 million).

Intangible assets

Intangible assets amounted to DKK 6,955 million (2008: DKK 7,006 million). Intangible assets mainly comprise goodwill, brands, know-how and customer contracts, and relate primarily to the acquisition of Dako on May 31, 2007, when a carrying amount for intangible assets of DKK 7,075 million, of which DKK 3,230 million related to goodwill, was recognized in the balance sheet.

At December 31, 2009 goodwill amounted to DKK 3,331 million (2008: DKK 3,315 million), an increase of DKK 16 million, which is primarily related to exchange rate adjustments.

Capitalized know-how decreased by DKK 39 million and customer contracts by DKK 93 million to DKK 289 million (2008: DKK 328 million) and DKK 2,093 million (2008: DKK 2,186 million) respectively as a result of amortization. Brands remained unchanged at DKK 1,121 million at December 31, 2009.

Inventories

Inventories increased to DKK 292 million from DKK 247 million in 2008.

Trade receivables and other receivables

Trade receivables and other receivables increased to DKK 403 million from DKK 334 million in 2008.

Total liabilities

Total liabilities amounted to DKK 5,606 million at December 31, 2009 (2008: DKK 5,497 million). DKK 5,012 million was non-current liabilities (2008: DKK 4,891 million), primarily related to provision for deferred tax and credit institutions. DKK 593 million (2008: DKK 606 million) was current liabilities, primarily other liabilities of DKK 302 million (2008: DKK 360 million) and credit institutions of DKK 129 million (2008: DKK 110 million).

Equity

Equity amounted to DKK 2,799 million (2008: DKK 2,832 million). The key changes are retained earnings of DKK (120) million (2008: DKK (305) million), value adjustment of derivatives of DKK 74 million net of tax (2008: DKK (120) million), and translation reserve of DKK 12 million (2008: DKK (10) million).

Provision for deferred tax

Provision for deferred tax increased from DKK 942 million at December 31, 2008 to DKK 978 million at December 31, 2009. Deferred tax liabilities related mainly to intangible assets recognized in connection with the acquisition of Dako on May 31, 2007. The deferred tax assets regarding tax losses amounted to DKK 19 million (2008: DKK 56 million).

Carrying amount of net debt

The carrying amount of net interest-bearing debt amounted to DKK 4,067 million at December 31, 2009, an increase of DKK 108 million from DKK 3,959 million at December 31, 2008. At December 31, 2009 long-term credit institutions were DKK 3,988 million (2008: DKK 3,903 million) and short-term credit institutions amounted to DKK 105 million (2008: DKK 106 million), while cash and cash equivalents were DKK 29 million (2008: DKK 53 million).

SHAREHOLDER INFORMATION

Share capital

Dako A/S is a Danish-registered public limited company. At the end of 2009 the Company had the following share capital:

<i>2009</i>	Number of shares, thousand	Nominal value, DKK thousand
Share capital at January 1	100,198	100,198
Capital increase during the year	24	24
Share capital at December 31	100,222	100,222

<i>2008</i>	Number of shares, thousand	Nominal value, DKK thousand
Share capital at January 1	100,198	100,198
Share capital at December 31	100,198	100,198

The share capital consists of 85,072,341 A shares (84.9%), which carry 10 votes per share, and 15,150,059 B shares (15.1%), which carry 1 vote per share. The A shares carry a preferential right to the amount paid plus an annual return of 14%. The remaining earnings will be distributed among the holders of B shares.

Right of first refusal on sale or disposal of the investment

The A shares have a right of first refusal to purchase B shares, or part thereof, in the event of a sale of B shares.

Shareholders

The majority shareholder is Delphi S.a.r.l., Luxembourg, which holds 98.3% of the shares. Delphi S.a.r.l. is ultimately controlled by EQT V Limited. The remaining 1.7% of the shares are distributed among current employees, Management and Board members of Dako A/S.

Prepaid share reserve

As part of the purchase price for the Norwegian company InstrumeC AS acquired effective August 29, 2008, Dako A/S will no later than August 31, 2010 issue 1,179,744 nominal A shares and 196,246 nominal B shares corresponding to an agreed value of NOK 50 million.

BOARD OF DIRECTORS*

Mats Fischier, Chairman

Born 1946, Swedish national

Former Chairman of Phadia AB, CEO and later chairman of Perbio Science, divisional president of Perstorp AB and Nobel Industries as well as CEO of Medipharm AB

Member of the Board of Dako A/S since 2007

Chairman of the Board of Dako A/S since 2007

Education: B.Sc. in Agronomy

Member of the Board of Directors of:

- CaridianBCT – Chairman
- Atos Medical AB
- Mölnlycke Healthcare AB

Morten Hummelose

Born 1971, Danish national

Employed with EQT Partners A/S as Partner

Member of the Board of Dako A/S since 2007

Education: M.Sc. in Economics, M.Sc. in Finance

Member of the Board of Directors of:

- KMD A/S

Sören Mellstig

Born 1951, Swedish national

Former CEO of Gambro AB

Member of the Board of Dako A/S since 2007

Education: M.Sc. in Business Administration

Member of the Board of Directors of:

- Aleris AB – Chairman
- Ferrosan A/S – Chairman
- Textilia AB – Chairman
- Munters AB
- Trelleborg AB

Staffan Ek

Born 1945, Swedish national

Former President of Roche Diabetes Care

Member of the Board of Dako A/S since 2007

Education: B.Sc. in Business Administration

Member of the Board of Directors of:

- Axis-Shield plc
- Facet Technologies LLC

Claude Crawford

Born 1947, American national

Former VP RD, Operations, and Quality, Applied Biosystems

Member of the Board of Dako A/S since 2009

Education: Bachelor of Chemical Engineering

Harry Klagsbrun

Born 1954, Swedish national

Employed with EQT Partners AB as Senior Partner

Member of the Board of Dako A/S since 2009

Education: M.Sc. (Econ), M.B.A.

Member of the Board of Directors of:

- Gambro GRP
- Securitas Direct AB

Erich R. Reinhardt

Born 1946, German national

Former CEO of Siemens Healthcare and Member of the Managing Board of Siemens AG

Member of the Board of Dako A/S since 2009

Education: Electrical engineer, honorary professor, honorary doctorate

Memberships:

- Board of Trustees of the Foundation Deutsches Krebsforschungszentrum, Heidelberg
- Treasurer of the University Alliance of the Friedrich-Alexander University Erlangen-Nuremberg
- Senate of the German Research Foundation (Deutsche Forschungsgemeinschaft DFG)
- Gastro-Liga
- Board of Trustees of the International Foundation Neurobionik, Hannover
- Chairman of the Board of Trustees of the Mevis Fraunhofer Institute
- Board of Trustees of the Max-Planck-Forschungsgruppe Institute for Optic Information and Photonik
- Board of Trustees of the Max-Planck-Institute for Biochemistry and Neurobiology

* All board members are appointed by EQT.

EXECUTIVE AND CORPORATE MANAGEMENT

Lars Holmqvist, CEO

Born 1959, Swedish national
President & Chief Executive Officer
Joined Dako in 2009
Education: B.Sc. in Economics

Per Toelstang, CFO

Born 1966, Danish national
Executive Vice President and Chief Financial Officer
Joined Dako in 2008
Education: M.B.A., State Authorized Public Accountant,
M.Sc. in Economics and Business Administration

Ferran Prat

Born 1963, Spanish national
Corporate Vice President, Global Services
Joined Dako in 1996
Education: Degree in Pharmacy, Master of Marketing Management

Juan Guerra

Born 1965, joint Italian and Argentinean national
Corporate Vice President, Sales Europe
Joined Dako in 2009
Education: Certified Public Accountant

Jorge A. Cerda Lucero

Born 1951, joint Chilean and Swedish national
Corporate Vice President, Operations
Joined Dako in 2007
Education: M.Sc. in Mechanical Engineering

Rolf Ehrnström

Born 1953, Swedish national
Corporate Vice President, Research & Development
Joined Dako in 2005
Education: M.Sc. in Biochemistry and Biotechnology

Michael Rasche

Born 1970, German national
Corporate Vice President, Global Marketing
Joined Dako in 2009
Education: Degree in Business Administration

Jørgen Andersen

Born 1964, Danish national
Corporate Vice President, Human Resources
Joined Dako in 2008
Education: Officer, Master of Management and Development

Annika Berg

Born 1963, Swedish national
Corporate Vice President, Regulatory Affairs, Quality Assurance
Joined Dako in 2008
Education: Ph.Lic. in Analytical Chemistry and Chemometrics

STATEMENT BY THE BOARD AND EXECUTIVE MANAGEMENT

The Board and Executive Management have today discussed and approved the Annual Report of Dako A/S for the financial year January 1 to December 31, 2009.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements in the Danish Financial Statements Act. It is our opinion that the consolidated financial statements and parent company financial statements give a true and fair view of the Group's and the parent company's financial position at December 31, 2009 and of the results of the Group's and the parent company's operations and cash flows for the financial year January 1 to December 31, 2009.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the parent company's operations and financial matters, the results of the Group's and the parent company's operations and financial position and describes the material risks and uncertainties affecting the Group and the parent company.

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

Glostrup, February 25, 2010

EXECUTIVE MANAGEMENT

Lars Holmqvist
President & CEO

Per Toelstang
Executive Vice President & CFO

BOARD OF DIRECTORS

Mats Fischier
Chairman

Morten Hummelose

Sören Mellstig

Staffan Ek

Claude Crawford

Harry Klagsbrun

Erich R. Reinhardt

INDEPENDENT AUDITORS' REPORT

To the shareholders of Dako A/S

We have audited the consolidated financial statements and the parent company financial statements of Dako A/S for the financial year January 1 to December 31, 2009, pp. 17-58. The consolidated financial statements and the parent company financial statements comprise income statement, statement of comprehensive income and changes in equity, balance sheet, statement of cash flows, and notes for the Group as well as for the parent company. The consolidated financial statements and the parent company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements in the Danish Financial Statements Act.

In addition to our audit, we have read the Management's review prepared in accordance with the Danish Financial Statements Act and issued a statement in this regard.

Management's responsibility

Management is responsible for the preparation and fair presentation of the consolidated financial statements and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements in the Danish Financial Statements Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Further, it is the responsibility of Management to prepare a Management's review that gives a fair review in accordance with disclosure requirements in the Danish Financial Statements Act.

Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements and the parent company financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at December 31, 2009 and of the results of the Group's and the parent company's operations and cash flows for the financial year January 1 to December 31, 2009 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements in the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information given in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, February 25, 2010

KPMG

Statsautoriseret Revisionspartnerselskab

Flemming Brokhattingen

State Authorized Public Accountant

Lau Bent Baun

State Authorized Public Accountant

GROUP

Consolidated income statement

DKK thousand	Note	2009	2008
Net sales	3	1,763,542	1,639,885
Cost of goods sold	4, 5	(601,122)	(574,985)
Gross profit		1,162,420	1,064,900
Sales and distribution expenses	4, 5	(576,324)	(533,946)
Research and development expenses	4, 5, 6	(184,423)	(188,391)
Administrative expenses	4, 5, 7	(169,449)	(164,269)
Operating profit/(loss) before other income and expenses		232,224	178,294
Other income and expenses	8	(47,464)	(40,741)
Operating profit/(loss)		184,760	137,553
Financial income	9	56,599	18,077
Financial expenses	10	(360,314)	(446,963)
Profit/(loss) before tax		(118,955)	(291,333)
Tax on profit/(loss) for the year for continuing operations	11	(30,618)	(13,510)
Net profit/(loss) for the year for continuing operations		(149,573)	(304,843)
Net profit for discontinued operations	31	29,731	-
Net profit/(loss) for the year		(119,842)	(304,843)
DKK thousand		2009	2008
Net profit/(loss) for the year		(119,842)	(304,843)
Dako's share of the net profit/(loss) for the year		(119,842)	(304,843)

GROUP

Consolidated statements of comprehensive income and changes in equity

DKK thousand	Share capital	Hedging reserve	Translation reserve	Retained earnings	Prepaid share reserve	Total
2009						
Equity at January 1	100,198	(194,374)	(22,001)	2,900,907	46,945	2,831,675
Net profit/(loss) for the year	-	-	-	(119,842)	-	(119,842)
Exchange difference on translating foreign operations	-	-	12,113	-	-	12,113
Value adjustment of derivatives	-	72,800	-	-	-	72,800
Tax on value adjustments of derivatives	-	1,328	-	-	-	1,328
Other comprehensive income after tax	-	74,128	12,113	-	-	86,241
Total comprehensive income for the year	-	74,128	12,113	(119,842)	-	(33,601)
Capital increases	24	-	-	752	-	776
Equity at December 31	100,222	(120,246)	(9,888)	2,781,817	46,945	2,798,850

DKK thousand	Share capital	Hedging reserve	Translation reserve	Retained earnings	Prepaid share reserve	Total
2008						
Equity at January 1	100,198	(73,984)	(12,139)	3,205,750	-	3,219,825
Net profit/(loss) for the year	-	-	-	(304,843)	-	(304,843)
Exchange difference on translating foreign operations	-	-	(9,862)	-	-	(9,862)
Value adjustment of derivatives	-	(125,098)	-	-	-	(125,098)
Tax on value adjustments of derivatives	-	4,708	-	-	-	4,708
Other comprehensive income after tax	-	(120,390)	(9,862)	-	-	(130,252)
Total comprehensive income for the year	-	(120,390)	(9,862)	(304,843)	-	(435,095)
Consideration in Dako A/S' shares, acquisition of InstrumeC AS	-	-	-	-	46,945	46,945
Equity at December 31	100,198	(194,374)	(22,001)	2,900,907	46,945	2,831,675

Hedging reserve

The hedging reserve contains the accumulated net change in the fair value of hedging transactions which meet the criteria for hedging future cash flows where the hedged transaction has yet to be realized.

Translation reserve

The translation reserve contains all the exchange differences arising on translation of the financial statements of units with a functional currency other than DKK, exchange differences relating to assets and liabilities which form part of the Group's net investment in such units, and exchange differences relating to hedging transactions to hedge the Group's net investment in such units.

Prepaid share reserve

As part of the purchase price for the Norwegian company InstrumeC AS acquired effective August 29, 2008, Dako A/S will no later than August 31, 2010 issue 1,179,744 nominal A shares and 196,246 nominal B shares corresponding to an agreed value of NOK 50 million.

GROUP

Consolidated balance sheet

DKK thousand	Note	2009	2008
Intangible assets	12	6,955,024	7,006,410
Property, plant and equipment	13	652,548	622,523
Other non-current financial assets	14	11,219	13,175
Deferred tax assets	19	27,917	15,367
Total non-current assets		7,646,708	7,657,475
Inventories	15	291,916	247,018
Trade and other receivables	16	403,313	333,825
Lease receivables	17	293	32
Income tax receivable		11,515	7,797
Prepayments and other receivables		21,785	29,746
Cash and cash equivalents		28,886	53,202
Total current assets		757,708	671,620
Total assets		8,404,416	8,329,095
Total equity		2,798,850	2,831,675
Provisions	23	27,849	26,340
Provision for deferred tax	19	977,799	942,435
Long-term employee benefits	20	9,143	9,436
Credit institutions	21	3,988,279	3,903,014
Other liabilities		458	342
Finance lease liabilities	22	8,758	9,633
Total non-current liabilities		5,012,286	4,891,200
Provisions	23	31,169	21,732
Credit institutions	21	104,795	106,254
Deferred income		9,180	8,728
Prepayments from customers		6,857	2,688
Trade payables		104,178	96,937
Income tax payable		9,517	4,598
Other liabilities	24	326,316	363,902
Finance lease liabilities	22	1,268	1,381
Current liabilities		593,280	606,220
Total liabilities		5,605,566	5,497,420
Total equity and liabilities		8,404,416	8,329,095

GROUP

Consolidated statement of cash flows

DKK thousand	Note	2009	2008
Operating profit/(loss)		184,760	137,553
Operating profit /(loss) for discontinued operations	31	29,731	-
Adjustment for non-cash items:			
Depreciation, amortization and impairment losses	5	266,382	248,666
Provisions, net		8,824	(5,427)
Other non-cash items, net		(3,383)	(12,788)
Interest received		5,389	11,343
Interest paid		(235,242)	(300,530)
Decrease/(increase) in working capital, net	25	(118,342)	(15,978)
Income tax paid		(5,347)	(7,240)
Cash flows from operating activities		132,772	55,599
Acquisition of subsidiaries	32	(401)	(25,653)
Investments in intangible assets	26	(91,753)	(18,938)
Investments in property, plant and equipment	26	(142,437)	(128,355)
Investments in other non-current assets	26	(223)	(808)
Sale of intangibles		40	-
Sale of property, plant and equipment		4,936	1,104
Sale of other non-current assets		1,685	1,434
Cash flows from investing activities		(228,153)	(171,216)
Free cash flows		(95,381)	(115,617)
Capital increase		776	-
New non-current debt		51,435	56,449
Repayment of non-current debt		(4,237)	(153,014)
Cash flows from/(to) financing activities		47,974	(96,565)
Increase/(decrease) in cash and cash equivalents		(47,407)	(212,182)
Cash and cash equivalents at January 1		(14,420)	205,889
Exchange rate adjustment		1,695	(8,127)
Total cash and cash equivalents at December 31	27	(60,132)	(14,420)

GROUP – NOTES

Accounting policies

1 ACCOUNTING POLICIES

General

The Annual Report is presented in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and additional Danish reporting requirements in the Danish Financial Statements Act.

The Annual Report is presented in Danish kroner (DKK).

Consolidation

The consolidated financial statements comprise Dako A/S (the Parent Company) and the companies (subsidiaries) controlled by the Parent Company. Control is achieved where the Parent Company directly or indirectly holds more than 50% of the voting rights or otherwise exercises a controlling influence.

The consolidated financial statements are prepared on the basis of the financial statements of the Parent Company and the subsidiaries by combining items of a similar nature and by eliminating intercompany income and expenses, investments, balances and unrealized gains and losses on transactions between the consolidated companies. Account is taken of the deferred tax effect of such eliminations.

Companies which are not subsidiaries but in which Dako A/S holds 20% or more of the voting rights or otherwise exercises a significant influence are regarded as associated companies. The proportionate share of the profits or losses of associated companies is recognized in the income statement according to the equity method. Transactions with consolidated companies, including realized and unrealized gains and losses, are eliminated proportionately.

An overview of subsidiaries and associated companies is shown in Group Overview.

Business combinations

Newly acquired or established companies are recognized in the consolidated financial statements from the time of acquisition. Companies sold or discontinued are recognized in the consolidated income statement until the time of sale or discontinuation. Comparative figures are not restated for companies newly acquired, sold or discontinued. However, discontinued operations are presented separately, cf. below.

Acquisitions of new companies over which the Parent Company then exercises a controlling influence are accounted for using the purchase method of accounting. The date of acquisition is the date on which control is transferred to the acquirer. The cost of the acquisition is measured as the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree, plus any costs directly attributable to the combination. The identifiable assets, liabilities and contingent liabilities of acquired companies are measured at fair value at the time of acquisition. Identifiable intangible assets are recognized if they are separable or derive from a contractual right, and if their fair value can be measured reliably.

Acquired non-current assets (disposal groups) classified as held for sale are recognized at fair value less costs to sell. A restructuring provision is recognized only when it is an existing liability of the acquirer at the acquisition date. The deferred tax effects of the revaluations made are recognized.

Any excess of the cost of the company and the fair value of the identifiable assets, liabilities and contingent liabilities acquired (goodwill) is recognized under intangible assets as goodwill. Goodwill is not amortized but is tested annually for impairment. The first impairment test is carried out before the end of the acquisition year. At the time of acquisition, goodwill is allocated to the cash-generating units which subsequently form the basis for impairment testing. Goodwill and fair value adjustments relating to the acquisition of a foreign unit with a functional currency other than the Dako Group's presentation currency are treated as assets and liabilities of the foreign unit and are translated into the foreign unit's functional currency at the exchange rate on the transaction date. Any excess of fair value over cost (negative goodwill) is recognized in the income statement at the time of acquisition.

If there is uncertainty at the time of acquisition about the measurement of the identifiable assets, liabilities and contingent liabilities acquired, initial recognition is based on provisionally determined fair values. Should it subsequently emerge that the identifiable assets, liabilities and contingent liabilities had different fair values at the time of acquisition than initially assumed, goodwill is adjusted up to 12 months from the time of acquisition. The effect of the adjustments is recognized in opening equity, and comparative figures are restated. Unless material errors have been made, goodwill is then adjusted only as a result of changes in estimates of conditional purchase prices. However, subsequent realization of deferred tax assets in the acquired company which were not recognized at the time of acquisition will result in the recognition of these tax assets in the income statement and a simultaneous write-down in the carrying amount of goodwill to the amount that would have been recognized had the deferred tax assets been recognized as an identifiable asset at the time of acquisition.

Gains and losses on the disposal of subsidiaries and associated companies are determined as the difference between the sale or discontinuation proceeds and the carrying amount of the net assets including goodwill at the time of sale plus the cost of sale or discontinuation.

Translation of foreign currency

A functional currency is determined for each of the reporting companies in the Group. The functional currency is the currency of the primary economic environment in which the reporting company operates.

Transactions in currencies other than the functional currency are transactions in foreign currency, and are translated to the functional currency on initial recognition at the exchange rate on the transaction date. Exchange differences arising between the exchange rates on the transaction date and the settlement date are recognized in the income statement as financial income/expenses.

Receivables, payables and other monetary items in foreign currency are translated at the exchange rate on the balance sheet date. Exchange differences arising between the exchange rates on the balance sheet date and the time when the receivable or payable originated are recognized in the income statement as financial income/expenses.

When including foreign companies with a functional currency other than Dako A/S' presentation currency in the consolidated financial statements, their income statements are translated at the exchange rate on the transaction date and balance sheet items are translated at the exchange rate on the balance sheet date. An average rate for each month is used as the exchange rate on the transaction date unless this gives a materially different effect. Exchange differences arising on the translation of foreign companies' equity at the beginning of the year to the exchange rate on the balance sheet date, and on the translation of their income statements from the exchange rate on the transaction date to the exchange rate on the balance sheet date, are recognized directly in equity.

Exchange differences on loans to/from foreign companies which are regarded as part of the overall net investment in the company in question are recognized directly in equity in the consolidated financial statements if the balance is denominated in the functional currency of either the Parent Company or the foreign company.

Derivative financial instruments

Derivative financial instruments are recognized initially at cost. Subsequent to initial recognition, derivative financial instruments are recognized in the balance sheet at fair value calculated according to generally accepted valuation methods. Realized and unrealized value adjustments are recognized in the income statement as financial income/expenses, apart from derivative financial instruments qualifying for hedge accounting. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap on the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Changes in the fair value of derivative financial instruments designated as a cash flow hedge are recognized directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in the income statement.

If the hedging instruments no longer meet the criteria for hedge accounting, expires or is sold, terminated or exercised, then the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognized in equity is transferred to the carrying amount of the asset when it is recognized. In other cases the amount recognized in equity is transferred to the income statement in the same period as the hedged item affects profit or loss.

Segment reporting

Dako is a well-established global company with a leading position in the pathology segment of the in vitro diagnostics industry ("IVD"). In accordance with IFRS 8 Operating Segments, segments must be identified based on internal management reporting. In Dako the Group's accounting policies are also followed for internal management reporting. The segment reporting presented in the Annual Report reflects the information management receives on a monthly basis. The geographic distribution is shown for revenue and total assets. The revenue distribution is based on the geographical location of the external customer. Total assets and non-current assets excluding deferred tax assets are based on the location of the Group's companies.

CONSOLIDATED INCOME STATEMENT

Net sales

Net sales from sales of goods for resale and manufactured goods are recognized in the income statement on the date of the transfer of risk and ownership. Net sales comprise invoiced sales for the year less returned goods, sales taxes mainly comprising value-added tax and price reductions directly related to sales. Net sales also include license and royalty income.

Sale of standardized instruments is included in net sales on the transfer of risk and ownership.

Sale of customized instruments is included in net sales on receipt of the customer's acceptance of risk and ownership.

Revenue from rental agreements is recorded over the term of the rental agreement.

Government grants

Government grants include subsidies and financing of development projects as well as investment subsidies, etc.

Subsidies for research and development expenses included in the income statement are recognized under research and development expenses so as to offset the expenses they are compensating.

Subsidies for the purchase of assets and development assets included in the balance sheet are offset against the cost of the assets for which the subsidies are given.

Cost of goods sold

Cost of goods sold includes the cost of raw materials, consumables and goods for resale, direct labor and indirect costs of production, including the cost of operating and depreciating manufacturing facilities, and amortization of know-how. Cost of goods sold also includes any write-down to net realizable value of obsolete and slow-moving items, and royalty expenses relating to sales of goods under a third-party license.

Sales and distribution expenses

Sales and distribution expenses comprise expenses attributable to the distribution, sales and marketing of the Group's products, including salaries, depreciation, other indirect expenses and amortization of customer contracts and relationships.

Research and development expenses

Research and development expenses comprise expenses attributable to the Group's research and development functions, including wages and salaries and maintenance of patents as well as amortization and other indirect expenses.

Research expenses are expensed as incurred.

Development projects which are clearly defined and identifiable, where technical feasibility, adequate resources and a potential future market or internal use can be demonstrated, and where there is an intention to produce, market or sell the project, are recognized as intangible assets provided that there is a connection between expenses incurred and future benefits. Otherwise development expenses are expensed as incurred. If there is any uncertainty about the development of new products, the criteria for capitalization are not deemed to have been met.

Administrative expenses

Administrative expenses comprise the cost of the Group's administrative functions, including the salaries of management and other administrative staff, office expenses, depreciation and other indirect costs, as well as bad debt provisions and realized losses on receivables.

Other income and expenses

Other income and expenses comprise items of a secondary nature in relation to the Group's activities.

Financial income and expenses

Financial income and expenses include interest income and expenses which are recognized in the income statement at the amounts relating to the financial year.

Financial income and expenses also include the interest element of payments under finance leases, value adjustments of financial assets and liabilities measured at fair value, gains and losses on items denominated in foreign currency, and forward exchange contracts and other derivative financial instruments not used for hedging purposes.

Taxation

Dako A/S is covered by the Danish rules on compulsory joint taxation of Danish subsidiaries in the Dako Group. Danish subsidiaries are included in joint taxation from the date they are consolidated in the consolidated financial statements until they are deconsolidated.

Current Danish income tax is distributed by calculating the joint taxation contribution between the jointly taxed companies in proportion to their taxable income. This means that Dako A/S with a taxable loss receives a joint taxation contribution from the Danish subsidiary Dako Denmark A/S, which has been able to use this loss to reduce its own taxable profit.

Tax for the year, which comprises current income tax for the year, the joint taxation contribution for the year and change in deferred tax, including as a result of changes in the tax rate, is recognized in the income statement where it can be attributed to net profit for the year, and directly in equity where it can be attributed to items in equity.

Pursuant to the joint taxation rules, as the administration company Dako A/S assumes liability for the payment of tax by Dako Denmark A/S to the tax authorities in line with Dako Denmark A/S's payment of joint taxation contributions.

Current tax liabilities and tax receivable are recognized in the balance sheet as tax calculated on the taxable income for the year, adjusted for tax on the taxable income for previous years and for tax paid on account.

Joint taxation contributions due and receivable are recognized in the balance sheet under amounts owed by or due to subsidiaries.

Deferred tax is measured using the balance sheet liability method for all temporary differences between accounting and tax values of assets and liabilities. However, no deferred tax is recognized for temporary differences relating to consolidated goodwill, which is non-tax-deductible, and other items where temporary differences – with the exception of company acquisitions – have arisen at the date of purchase without this having any effect on profit or taxable income. In cases where specification of tax value may be made in accordance with different taxation rules, deferred tax is measured on the basis of Management's planned use of the asset or disposal of the liability.

Deferred tax assets, including the tax value of tax losses carried forward, are recognized at the value at which they are expected to be used, either through set-off against tax on future earnings or through set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Adjustment is made for deferred tax relating to elimination of unrealized intercompany gains and losses.

Deferred tax is measured on the basis of the tax rules and tax rates in the respective countries which, under the legislation in force on the balance sheet date, will be applicable when the deferred tax is expected to be realized as current tax.

Tax arising on the possible sale of subsidiaries is not recognized in the balance sheet unless the shares are expected to be divested within a short period of time.

CONSOLIDATED BALANCE SHEET

Intangible assets

Intangible assets are measured at cost less accumulated amortization and impairment losses. Borrowing costs in respect of construction of major assets are capitalized.

The cost of internally generated intangible assets includes the cost of materials, direct labor and a share of indirect costs. Internally generated intangible assets are capitalized if the criteria for capitalization are deemed to have been met.

When measuring software developed for internal use, external costs related to consultants and software are included as well as direct and indirect internal costs directly related to the development phase. Internal development of software and related costs in connection with major IT projects for internal use are capitalized under completed development projects.

Other development expenses which cannot be shown to have probable future economic benefits for the Group are expensed as incurred.

Intangible assets excluding goodwill and brands are systematically amortized based on an individual assessment of the economic life of the asset.

The normal assumptions for economic life are:	Period
Know-how	10 years
Brands	Indefinite
Customer contracts and related relationships	25 years
Completed development projects	Max. 10 years
Acquired patents, licenses and similar rights	Max. 7 years
Computer licenses/system and implementation expenses	Max. 7 years

The accounting treatment of goodwill is presented in the section on business combinations.

Know-how

Know-how is recognized at fair value at the date of acquisition and subsequently carried at cost less accumulated amortization and any accumulated impairment losses, while acquired know-how with a finite useful life is measured at historical cost less accumulated amortization and any accumulated impairment losses. Amortization is provided on a straight-line basis over the expected useful life of the know-how.

The valuation of acquired know-how is based on a discounted cash flow model using the after-tax royalty payments (the royalty relief method). Cash flows are discounted on an after-tax basis using the Weighted Average Cost of Capital (WACC) plus a risk premium for the assumed risk inherent in the know-how.

The net present value of the cash flows is increased by an estimated portion of the discounted tax amortization benefit applicable to a potential buyer, based on the tax amortization opportunity available for know-how when bought as a trade and asset purchase. The tax amortization benefit is discounted. This increased value of know-how equals the fair value at the date of acquisition. A deferred tax liability is calculated at the tax rate on the difference between the book value and tax value. The initial recognition of this deferred tax liability increases the amount of goodwill.

The value of know-how is tested for impairment as part of the impairment test.

Brands

Brands are recognized at fair value at the date of acquisition. Subsequently, acquired brands with indefinite useful lives are measured at historical cost less any accumulated impairment losses, while acquired brands with finite useful lives are measured at historical cost less accumulated amortization and any accumulated impairment losses. Amortization is provided on a straight-line basis over the expected useful life of the brand.

The valuation of acquired brands is based on a discounted cash flow model using the after-tax royalty payments (the royalty relief method). Cash flows are discounted on an after-tax basis using the Weighted Average Cost of Capital (WACC) plus a risk premium for the assumed risk inherent in the brand.

The net present value of the cash flows is increased by an estimated portion of the discounted tax amortization benefit applicable to a potential buyer, based on the tax amortization opportunity available for brand names when bought as a trade and asset purchase. The tax amortization benefit is discounted. This increased value of the brand equals the fair value at the date of acquisition. A deferred tax liability is calculated at the tax rate on the difference between the book value and tax value. The initial recognition of this deferred tax liability increases the amount of goodwill.

The value of brands is tested for impairment as part of the impairment test.

Customer contract portfolios and related customer relationships

Customer contract portfolios and related customer relationships are recognized at fair value at the date of acquisition and subsequently carried at cost less accumulated amortization and any accumulated impairment losses. The value is amortized based on the churn rate of the acquired portfolio using the straight-line method.

The valuation of customer contract portfolios and related customer relationships is based on a discounted cash flow model using an estimated split of the acquired revenue in segments, and the related churn rates and profitability of the revenue at the time of the acquisition. A contributory asset charge as a cost or return requirement for assets supporting the intangible asset has been included in the model. Cash flows are discounted on an after-tax basis using the Weighted Average Cost of Capital (WACC) plus a risk premium for the assumed risk inherent in customer contract portfolios and related customer relationships.

The net present value of the cash flows is increased by an estimated portion of the discounted tax amortization benefit applicable to a potential buyer, based on the tax amortization opportunity available for customer contract portfolios and customer relationships when bought as a trade and asset purchase. The tax amortization benefit is discounted. This increased value of customer contract portfolios and related customer relationships equals the fair value at the date of acquisition.

For know-how, brands and customer contract portfolios and related customer relationships, a deferred tax liability is calculated at the tax rate on the difference between the book value and the tax value. The initial recognition of this deferred tax liability increases the amount of goodwill.

The value of customer contract portfolios and related customer relationships is tested for impairment as part of the impairment test.

Property, plant and equipment

Land and buildings, plant and machinery, other fixtures and fittings, tools and equipment, and apparatus and instruments leased to customers are measured at purchase price or cost less accumulated depreciation and impairment losses. Borrowing costs in respect of construction of major assets are capitalized.

Cost comprises the purchase price and expenses related to the purchase up to the time when the asset is ready for use. For assets generated internally, cost includes direct and indirect costs of materials, components, subcontractors and labor. The cost of a composite asset is divided between its constituent components, which are depreciated individually if the useful lives of the individual components vary.

Interest during the construction and installation of property, plant and equipment is not included in cost.

Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the assets taking account of their anticipated residual value. The useful life of major assets is determined individually, while the useful lives of other assets are determined for groups of similar assets.

The following expected useful lives are used:	Period	
Buildings	Max.	40 years
Plant and machinery	Max.	10 years
Other fixtures and fittings, tools and equipment	Max.	7 years
Leasehold improvements		7-15 years

The costs of maintaining property, plant and equipment are expensed as incurred, either directly in the statement of comprehensive income or as part of indirect costs of production.

Expenses incurred that significantly increase the value in use of the asset concerned are added to the asset's cost as an improvement and are depreciated over the expected useful life of the improvement.

Gains or losses on the disposal or scrapping of property, plant and equipment are calculated as the difference between the carrying amount and the selling price reduced by dismantling and disposal costs. Gains and losses are included in the statement of comprehensive income under the same items as the associated depreciation.

The Group's rabbits and goats are not recognized as assets as it is not possible to measure cost reliably.

Impairment

The carrying amount of intangible assets and property, plant and equipment is assessed on a regular basis. For goodwill and intangible assets with an indefinite useful life or which are not yet available for use, an impairment test is performed once a year. For other assets, specific impairment tests are performed if there are factors indicating that the carrying amount of the asset exceeds the value of expected future cash flows from it. If this test concludes that the value of expected cash flows from the asset will be lower than the carrying amount, the asset is written down to the higher of fair value less selling expenses and value in use. Impairment losses are recognized in the income statement as other income/expenses.

Financial assets

Receivables with a fixed maturity that the Group intends to hold until maturity are measured at amortized cost.

Other financial assets are stated at fair value with any resultant gain or loss recognized in the income statement.

Financial assets are recognized/derecognized on the day they are transferred to/from the Group.

Inventories

Raw materials, consumables and goods for resale are measured at cost plus the cost incurred in bringing the inventories to their present location and condition according to an approximated FIFO principle.

Work in process and manufactured goods are measured at standard cost, which approximates cost calculated according to the FIFO principle. Cost includes the cost of materials and direct labor as well as a share of indirect costs of production, including the cost of operating and depreciating manufacturing facilities. Interest incurred during production is not included in cost.

Inventories are written down to net realizable value if this is lower than the purchase price or cost. The net realizable value is calculated as the expected ordinary selling price less the costs of completion and expenses incurred to make the sale. The net realizable value is usually calculated per product or, alternatively, for similar goods with a similar sales process.

Receivables

Receivables arising in the Group's normal course of business are measured at nominal value less impairment losses to reflect the risk of losses calculated on the basis of an individual evaluation.

Dividends

The proposed dividend is presented separately in equity until approved by the Annual General Meeting. It is then shown as a liability.

Pension liabilities

The Group has entered into defined contribution pension plans and similar agreements with most of the Group's employees. The agreements vary according to statutory, contractual and other local rules.

Payments to these defined contribution plans are recognized in the period to which they relate. Any contributions payable are recognized in the balance sheet under current liabilities.

With respect to other long-term employee benefits, provisions in the balance sheet are calculated as the present value of the expected payments.

The Group has no defined benefit plans.

Other provisions

Liabilities relating to the financial year or previous financial years which are uncertain with respect to size or due date are recognized in the balance sheet under other provisions.

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events and it is probable it will lead to an outflow of financial resources. It is measured at the "best estimate" of the expenditure to be incurred by Management.

Liabilities other than provisions

Debt to credit institutions, etc. is initially recognized at the value of the amount received less transaction costs paid. Subsequent to initial recognition, financial liabilities are measured at amortized cost, equivalent to the capitalized value when a constant effective rate of interest is used, so that the difference between the amount received and the nominal value is recognized in the income statement over the loan period.

Other liabilities are measured at net realizable value.

LEASING

Dako as lessee

Leases that transfer substantially all risks and rewards incident to ownership of an asset to Dako are classified as finance leases. Other leases are classified as operating leases.

Assets held under finance leases are recognized in the balance sheet at the lower of the asset's fair value at the time of entering into the lease and the present value of the minimum lease payments. The discount rate used in calculating the present value is the internal rate of return laid down in the lease or the Group's alternative loan rate. Assets held under finance leases are depreciated on a straight-line basis over the estimated useful life in the same way as similar assets owned by the Group.

The corresponding lease liability is recognized as a liability in the balance sheet and the interest thereon is recognized in the income statement under financial expenses.

Lease payments under operating leases are expensed as incurred. The total lease payments are disclosed under contingent liabilities.

Dako as lessor

Assets leased by the Group to customers under leases classified as finance leases are recognized in the balance sheet under receivables at an amount equal to the Group's net investment. Lease payments are accounted for as repayments on the receivable and interest thereon. Expenses incurred in connection with entering into the leases are recognized in the income statement.

Lease payments relating to operating leases are recognized as income as they fall due for payment.

Presentation of discontinued operations

A discontinued operation is a unit whose activities and cash flows can be clearly distinguished operationally and financially from the rest of the business, and which has either been sold or been classified as held for sale, and the sale is expected to be completed within one year on the basis of a formal plan.

Post-tax profits and value adjustments for discontinued operations are presented in a separate line of the income statement with comparative figures. Sales, expenses, value adjustments and taxes for the discontinued operations are reported in the notes. Similarly, assets and associated liabilities are reported in separate lines of the balance sheet, cf. Assets held for sale, and the main items are specified in the notes.

Cash flows from operating, investing and financing activities for discontinued operations are disclosed in a note.

CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows is presented according to the indirect method and shows the composition of the Group's cash flows, divided into operating, investing and financing activities, and the Group's cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the Group's profit or loss before tax, adjusted for non-cash operating items, change in working capital, financial income/expenses and income taxes.

Cash flows from investing activities include payments in connection with purchases and sales of non-current assets, including investments in companies. For purchases and sales of subsidiaries, the cash selling or purchase price is adjusted for cash in the purchased/sold company under cash flows from investing activities.

Cash flows from financing activities include payments to and from shareholders, the raising of and principal repayments on mortgage debt, and other non-current liabilities.

Cash and cash equivalents include cash less current bank debt due on demand.

Cash flows denominated in foreign currencies, including cash flows in foreign subsidiaries, are translated at the average exchange rates during the year as an approximation of the rates on the date of payment. Cash and cash equivalents at year-end are translated at the exchange rates on the balance sheet date.

GROUP – NOTES

Consolidated income statement

2 ACCOUNTING ESTIMATES AND JUDGMENTS

Estimation uncertainty

The calculation of the carrying amount of some assets and liabilities is based on estimates of uncertain future events. Such estimates are made, for example, when calculating depreciation and impairment losses, intangible assets such as goodwill, brands, know-how, customer contracts and related customer relationships, inventories, receivables, pensions and similar obligations, provisions, and contingent liabilities and assets.

The estimates used and the assumptions underlying them are based partly on experience from previous years and are believed by Executive Management to be reasonable. However, general risks and uncertainties may cause the actual outcome to depart from these estimates. Particular risks for the Dako Group are discussed in a separate section of the Annual Report.

Besides accounting estimates, Executive Management makes various judgments as part of the application of the Group's accounting policies which may have a material impact on the amounts recognized in the financial statements.

In particular, judgments concerning the calculation of work in process and manufactured goods, including the calculation of standard cost inclusive of indirect costs of production and the need for write-downs to net realizable value, will have a material impact on the overall value of inventories.

Judgments are also made concerning the timing of revenue recognition, including, for standardized instruments, when delivery and transfer of risk take place, and, for customized instruments, the time of final customer acceptance.

3 SEGMENT REPORTING

Dako is a well-established global company with a leading position in the pathology segment of the in vitro diagnostics industry ("IVD"). Dako is represented by subsidiaries and distributors in more than 110 countries. The business segments are driven by revenue by product group and three geographical regions: Europe, North America and the Rest of the World. This is based primarily on distances between the activities, similarity of economic and political conditions as well as other conditions of importance to the pursuit of the activities in the individual markets. The US encompasses the vast majority of the North America region. No other individual foreign country encompasses more than 10% of revenue or non-current assets. The tables below reflect the internal management reporting. Revenue is attributed to geographical regions based on the location of the customer. Total assets and total non-current assets are based on the location of the assets.

DKK thousand	Europe	North America	Rest of the World	Group, total
2009				
Revenue:				
Pathology	665,627	532,845	297,142	1,495,614
Reagent Partnership	147,971	37,843	82,114	267,928
Total net sales	813,598	570,688	379,256	1,763,542
Generated in Denmark	341,754			
Non-current assets excl. deferred tax assets	6,604,042	667,560	347,189	7,618,791
Denmark	5,641,943			
Total assets	6,818,601	1,043,106	542,709	8,404,416
2008				
Revenue:				
Pathology	647,414	461,899	272,954	1,382,267
Reagent Partnership	151,086	36,107	70,425	257,618
Total net sales	798,500	498,006	343,379	1,639,885
Generated in Denmark	336,168			
Non-current assets excl. deferred tax assets	6,317,419	872,999	451,690	7,642,108
Denmark	5,659,281			
Total assets	6,753,548	1,062,385	513,162	8,329,095

Transactions between segments are carried out on an arm's length basis.

4 STAFF EXPENSES

DKK thousand	2009	2008
Wages and salaries	576,443	499,357
Defined contribution pension plans and other long-term employee benefits (note 20)	38,566	32,006
Other social security costs, etc.	65,653	52,392
Total staff expenses	680,662	583,755

Included in the consolidated income statement under the following headings:

Cost of goods sold	151,249	139,108
Sales and distribution expenses	263,191	222,106
Research and development expenses	80,966	90,737
Administrative expenses	107,390	105,732
Other income and expenses	33,603	23,520
Capitalized development projects	44,263	2,552
Total	680,662	583,755

Average number of employees	1,036	1,048
Remuneration to Executive Management	12,207	7,215
Remuneration to Board of Directors	1,221	451
Total remuneration to Executive Management and Board of Directors	13,428	7,666

Executive Management has bonus schemes that are dependent on specific conditions being met. Executive Management has also entered into termination agreements with a 12-month period of notice. In 2009 the amount also included severance payment of DKK 4,977 thousand to the former CEO and CFO.

5 DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

DKK thousand	2009	2008
Amortization, intangible assets	159,960	160,800
Depreciation, property, plant and equipment	106,422	87,866
Total depreciation, amortization and impairment losses	266,382	248,666

Included in the consolidated income statement under the following headings:

Cost of goods sold	115,432	97,058
Sales and distribution expenses	106,126	103,891
Research and development expenses	14,279	15,750
Administrative expenses	30,545	31,967
Total depreciation, amortization and impairment losses	266,382	248,666

The depreciation, amortization and impairment losses include DKK 3,788 thousand in gains (2008: DKK 211 thousand in losses) in connection with the disposal of property, plant and equipment.

DKK thousand	2009	2008
Amortization and impairment losses on intangible assets are included under the following headings:		
Cost of goods sold	48,374	47,666
Sales and distribution expenses	94,426	93,946
Research and development expenses	10,325	11,966
Administrative expenses	6,835	7,222
Total amortization and impairment losses	159,960	160,800

6 GOVERNMENT GRANTS

DKK thousand	2009	2008
Government grants received for students employed in R&D projects	1,856	1,060
Total government grants	1,856	1,060

7 FEES TO STATUTORY AUDITORS

DKK thousand	2009	2008
Audit	3,509	4,116
Other assurance engagements	216	466
Tax and VAT advisory services	2,849	1,815
Other services	1,292	1,518
Total fees to statutory auditors	7,866	7,915

8 OTHER INCOME AND EXPENSES

DKK thousand	2009	2008
Restructuring costs	44,597	39,786
Other non-recurring items	2,867	955
Total other income and expenses	47,464	40,741

Restructuring costs are mainly related to strategic and organizational changes, severance payments for discontinued positions and other strategic initiatives.

9 FINANCIAL INCOME

DKK thousand	2009	2008
Interest income	5,389	18,001
Exchange gains (net)	48,386	0
Other financial income	32	76
Ineffective portion of cash flow interest rate hedges	2,792	-
Total financial income	56,599	18,077

10 FINANCIAL EXPENSES

DKK thousand	2009	2008
Interest expenses, credit institutions, etc.	307,391	340,818
Exchange loss (net)	0	80,269
Amortization of loan expenses and discontinued swaps	48,219	19,181
Ineffective portion of cash flow interest rate hedges	-	3,413
Interest expense on financial liabilities measured at amortized cost for InstrumeC	2,654	1,254
Other financial expenses	2,050	2,028
Total financial expenses	360,314	446,963

11 TAX FOR THE YEAR

DKK thousand	2009	2008
Current tax on profit for the year	11,157	14,664
Change in deferred tax	18,541	(6,641)
Prior year adjustments	(1,320)	2,133
Other taxes	2,240	3,354
Total tax in the income statement for the year	30,618	13,510
Tax charges to equity for the year	(1,328)	(4,708)
Total tax for the year	29,290	8,802

DKK thousand	2009	Percent	2008	Percent
Profit/(loss) before tax	(118,955)		(291,333)	
Calculated tax on pre-tax profit/(loss), 25%	(29,739)	25%	(72,833)	25%
Tax effect of:				
Deviation in foreign subsidiaries' tax rates compared to Danish tax rate (net)	2,700	(2.3)%	4,077	(1.4)%
Non-tax income less non-tax-deductible expenses (net)*	55,877	(47.0)%	83,136	(28.5)%
Change in deferred tax rates	1,324	(1.1)%	(2,999)	1.0%
Prior year adjustments	(1,320)	1.1%	2,133	(0.7)%
Other taxes	2,240	(1.9)%	1,065	(0.4)%
Currency exchange effects	(464)	0.4%	(1,069)	0.4%
Total tax in the income statement for the year	30,618	(25.7)%	13,510	(4.6)%

* In 2009 DKK 58.2 million of this is the tax effect of the Danish rules on limitation of interest deductibility (2008: DKK 85.1 million).

GROUP – NOTES

Consolidated balance sheet

12 INTANGIBLE ASSETS

DKK thousand	Goodwill	Brands**	Know-how	Customer contracts	Other intangibles***	Development costs	Total
2009							
Cost at January 1	3,314,696	1,121,000	390,000	2,334,000	313,670	4,164	7,477,530
Additions during the year	400	-	-	-	35,999	55,754	92,153
Disposals during the year	-	-	-	-	(490)	-	(490)
Exchange rate adjustment	15,820	-	-	-	756	(46)	16,530
Cost at December 31	3,330,916	1,121,000	390,000	2,334,000	349,935	59,872	7,585,723
Amortization at January 1	-	-	61,700	147,860	261,560	-	471,120
Amortization for the year	-	-	39,000	93,360	27,574	26	159,960
Amortization, disposals	-	-	-	-	(450)	-	(450)
Exchange rate adjustment	-	-	-	-	69	-	69
Amortization at December 31	-	-	100,700	241,220	288,753	26	630,699
Carrying amount at December 31	3,330,916	1,121,000	289,300	2,092,780	61,182	59,846	6,955,024

DKK thousand	Goodwill	Brands**	Know-how	Customer contracts	Other intangibles***	Development costs	Total
2008							
Cost at January 1	3,229,884	1,121,000	390,000	2,334,000	294,920	-	7,369,804
Acquired through business combinations	-	-	-	-	4,644	-	4,644
Additions during the year*	109,585	-	-	-	14,774	4,164	128,523
Disposals during the year*	(4,974)	-	-	-	(20)	-	(4,994)
Exchange rate adjustment	(19,799)	-	-	-	(648)	-	(20,447)
Cost at December 31	3,314,696	1,121,000	390,000	2,334,000	313,670	4,164	7,477,530
Amortization at January 1	-	-	22,700	54,500	232,812	-	310,012
Amortization for the year	-	-	39,000	93,360	28,440	-	160,800
Amortization, disposals	-	-	-	-	(19)	-	(19)
Exchange rate adjustment	-	-	-	-	327	-	327
Amortization at December 31	-	-	61,700	147,860	261,560	-	471,120
Carrying amount at December 31	3,314,696	1,121,000	328,300	2,186,140	52,110	4,164	7,006,410

* Additions include DKK 4,449 thousand and disposals DKK 4,974 thousand for adjustments to acquisition of subsidiaries and business units in 2008. Please see note 32.

** The Dako brand is considered to have an indefinite useful life since there is no foreseeable limit to the period over which the brand is expected to generate net cash inflows. Factors playing a significant role in determining that the Dako brand has an indefinite useful life are: i) the Dako brand has existed for decades; ii) the Group's strategy is based on the Dako brand; iii) all acquired brands are converted to or co-branded with the Dako brand; and iv) the Dako brand is used in the business-to-business and public segments with low maintenance cost attached.

*** Other intangibles include Acquired software, IT development, Patents & acquired rights, and Intangible assets under construction.

12 INTANGIBLE ASSETS (continued)

Impairment test

Dako prepares an impairment test annually or if an indication of impairment exists. The impairment test is prepared at Group level as this represents the lowest level of cash-generating units (CGU) to which the carrying amount of goodwill and brands can be allocated and monitored with any reasonable certainty. This level of allocation and monitoring is in accordance with the monitoring for internal management purposes. No impairment losses have been recognized in the period ended December 31, 2009.

The carrying amount of goodwill, brands, know-how and customer contracts and relationships relates to the acquisition of Dako Denmark A/S and underlying subsidiaries effective May 31, 2007 and the acquisition of the Norwegian company InstrumeC AS effective August 29, 2008. Know-how, customer contracts and relationships, other intangibles and development costs are amortized and tested for impairment if an indication of impairment exists.

Dako's impairment test is prepared as a discounted cash flow model. Future cash flows are based on the budget for 2010 approved by the Board of Directors and Executive Management's five-year strategy plans for Dako including updated projections for future periods.

The rate of discount has been set at 10.5% (12.5% in 2008) after tax. Uncertainties reflecting historical performance and possible variations in the amount or timing of future cash flows are reflected in the discount rate.

The key assumptions in the impairment test are assumed growth in net sales and the EBITDA % level. In the impairment test as at December 31, 2009, the compound annual growth rate used is 12% from 2010-2014 and 13% in 2015, after which growth per year is assumed to decrease by 1 percentage point per year until it reaches a 5% growth level from 2020 and a 2% growth level in the terminal period starting from 2043. EBITDA % is assumed to be 33% in 2010, 35% in 2011, 36% in 2012, 38% in 2013 and 39% in 2014 and onwards. The key assumptions applied in the impairment test are used for accounting purposes and should not be considered a forward-looking statement within the meaning of the US Private Securities Litigation Act of 1995 and similar laws in other countries regarding expectations of future developments.

Sensitivity

The impairment test as at December 31, 2009 based on the above key assumptions shows an equity value, in all material respects, that is well above the recognized equity. Any reasonably possible change in one of the above key assumptions would not result in impairment.

Management has further carried out various sensitivity tests concerning the equity value of the impairment test to understand the impact if any or some of the key assumptions should change. Even a conservative test shows an equity value that, in all material respect, is equal to the recognized equity and would also not result in impairment.

13 PROPERTY, PLANT AND EQUIPMENT

DKK thousand	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Assets under construction	Total
2009						
Cost at January 1	578,496	122,282	367,809	3,820	1,061	1,073,468
Reclassification	346	(199)	199	(346)	-	-
Additions during the year	2,606	10,409	156,747	212	4,609	174,583
Assets put into use	-	-	-	-	-	-
Disposals during the year	(2,122)	(966)	(71,917)	(148)	-	(75,153)
Exchange rate adjustment	(1,835)	(548)	(1,903)	43	(42)	(4,285)
Cost at December 31	577,491	130,978	450,935	3,581	5,628	1,168,613
Depreciation at January 1	157,021	86,264	205,682	1,979	-	450,946
Reclassification	1,502	(8)	8	(1,502)	-	-
Depreciation for the year	19,650	9,711	80,372	477	-	110,210
Disposals during the year	(649)	(685)	(40,765)	(148)	-	(42,247)
Exchange rate adjustment	(576)	(488)	(1,639)	(141)	-	(2,844)
Depreciation at December 31	176,948	94,794	243,658	665	-	516,065
Carrying amount at December 31	400,543	36,184	207,277	2,916	5,628	652,548

Other fixtures and fittings, tools and equipment include instruments worth DKK 167,348 thousand, which are sited at customers' premises under a reagent rental agreement, as well as finance-leased assets at a net book value of DKK 8,008 thousand.

13 PROPERTY, PLANT AND EQUIPMENT (continued)

DKK thousand	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Assets under construction	Total
2008						
Cost at January 1	551,996	119,870	310,831	1,485	2,368	986,550
Acquired through business combinations	-	615	18	-	-	633
Reclassification	-	2,677	(3,915)	1,238	-	0
Additions during the year	3,408	10,707	123,128	1,713	18,769	157,725
Assets put into use	18,763	556	757	-	(20,076)	0
Disposals during the year	-	(13,586)	(71,080)	(397)	-	(85,063)
Exchange rate adjustment	4,329	1,443	8,070	(219)	-	13,623
Cost at December 31	578,496	122,282	367,809	3,820	1,061	1,073,468
Depreciation at January 1	139,282	86,806	186,634	11	-	412,733
Reclassification	-	2,565	(2,850)	285	-	0
Depreciation for the year	16,470	9,136	60,604	1,445	-	87,655
Disposals during the year	-	(13,389)	(43,531)	(99)	-	(57,019)
Exchange rate adjustment	1,269	1,146	4,824	337	-	7,576
Depreciation at December 31	157,021	86,264	205,681	1,979	-	450,945
Carrying amount at December 31	421,475	36,018	162,128	1,841	1,061	622,523

Other fixtures and fittings, tools and equipment include instruments worth DKK 116,688 thousand which are sited at customers' premises under a reagent rental agreement, as well as finance-leased assets at a net book value of DKK 9,077 thousand.

14 OTHER NON-CURRENT FINANCIAL ASSETS

DKK thousand	2009	2008
Carrying amount at January 1	13,175	13,821
Additions during the year	223	808
Disposals during the year	(2,191)	(2,203)
Exchange rate adjustment	12	749
Carrying amount at December 31	11,219	13,175

Other non-current financial assets include loans to third parties of DKK 8,260 thousand (2008: DKK 8,652 thousand), as security for which Dako holds property mortgage deeds. The loan is repayable over 30 years and was established in 2004. The interest is on market terms.

15 INVENTORIES

DKK thousand	2009	2008
Raw materials and consumables	119,476	128,325
Manufactured goods	171,351	117,039
Goods for resale	1,089	1,654
Total inventories	291,916	247,018

The amount of inventories recognized as an expense during the year	469,258	452,046
The amount of write-down on inventories during the year	4,779	27,461
The amount of reversal of write-down on inventories during the year	11,784	13,391
Inventories measured at net realizable value	5,491	-

16 TRADE RECEIVABLES

DKK thousand	2009	2008
Trade receivables, due within one year	392,059	328,700
Other receivables	11,254	5,125
Total trade receivables	403,313	333,825

The Group has not received any collateral for receivables.

DKK thousand	Carrying amount	
	2009	2008
Trade receivables (gross)	399,198	336,524
Movements in the allowance for impairment in respect of trade receivables during the year were as follows:		
Balance at the beginning of the year	7,824	12,486
Provision for the year	600	2,883
Utilized during the year	(747)	(5,027)
Reversed during the year	(538)	(2,518)
Balance at the end of the year	7,139	7,824

DKK thousand	Receivables not due	Overdue 1-120 days	Overdue 121-210 days	Overdue 211 days +	Receivables, aging balance
2009					
Total	226,850	100,690	37,684	26,835	392,059
Rest of the World	46,836	11,668	1,766	2,098	62,368
Europe	134,440	70,845	34,934	24,737	264,956
North America	45,574	18,177	984	0	64,735
2008					
Total	199,381	92,887	26,452	9,980	328,700
Rest of the World	59,741	18,947	11,656	7	90,351
Europe	97,499	51,846	13,714	9,973	173,032
North America	42,141	22,094	1,082	0	65,317

17 LEASE RECEIVABLES

DKK thousand	2009	2008
Gross investments in leased assets	319	33
Interest relating to future years	(26)	(1)
Net investments	293	32
Lease receivables, due within one year	100	32
Lease receivables, due after one year and within five years	193	0
Total lease receivables	293	32
Gross investments, due within one year	115	33
Gross investments, due after one year and within five years	204	0
Total gross investments	319	33

18 SHARE CAPITAL

	Number of shares, thousand	Nominal value, DKK thousand
2009		
Share capital at January 1	100,198	100,198
Capital increase during the year	24	24
Share capital at December 31	100,222	100,222
2008		
Share capital at January 1	100,198	100,198
Share capital at December 31	100,198	100,198

The share capital consists of 85,072,341 A shares (84.9%), which carry 10 votes per share, and 15,150,059 B shares (15.1%), which carry 1 vote per share. The A shares have a preferential right to the amount paid plus an annual return of 14%. The remaining earnings will be distributed among the holders of B shares.

Right of first refusal on sale or disposal of the investment

The A shares have a right of first refusal to purchase B shares, or part thereof, in the event of a sale of B shares.

Shareholders

The majority shareholder is Delphi S.a.r.l., Luxembourg, which holds 98.3% of the shares. Delphi S.a.r.l. is ultimately controlled by EQT V Limited. The remaining 1.7% of the shares are distributed among current employees and the Board members of Dako A/S.

Prepaid share reserve

As part of the purchase price for the Norwegian company InstrumeC AS acquired effective August 29, 2008, Dako A/S will no later than August 31, 2010 issue 1,179,744 nominal A shares and 196,246 nominal B shares corresponding to an agreed value of NOK 50 million.

19 DEFERRED TAX

DKK thousand	2009	2008
Balance at January 1	(927,068)	(924,737)
Adjustments to prior year's deferred tax	(4,966)	(17,080)
Exchange rate adjustment	(635)	2,317
Acquisitions	-	1,083
Recognized in income statement	(18,541)	6,641
Recognized in equity	(1,328)	4,708
Balance at December 31	(949,882)	(927,068)

Recognition

The majority of the deferred tax liability relates to the fair value adjustment of intangible assets recognized in connection with the acquisition of Dako in 2007.

Deferred tax assets are recognized as assets when it is likely that they will reduce future tax payments within a reasonable period of time.

Deferred tax relates to:

DKK thousand	Temporary differences	Deferred tax asset	Deferred tax liability	Net
2009				
Intangible assets	(3,572,635)	1,211	(956,783)	(955,572)
Property, plant and equipment	(45,419)	16,333	(32,919)	(16,586)
Inventories	(15,613)	16,154	(17,629)	(1,475)
Other current assets	(91,981)	3,025	(25,676)	(22,651)
Non-current liabilities	49,091	16,238	(2,581)	13,657
Current liabilities	43,123	14,112	(305)	13,807
Tax loss carried forward, etc.	56,331	18,938	-	18,938
Tax asset/(tax liability)	(3,577,103)	86,011	(1,035,893)	(949,882)
Offset within the same legal entity		(58,094)	58,094	-
Net tax asset/(tax liability)		27,917	(977,799)	(949,882)

19 DEFERRED TAX (continued)

DKK thousand	Temporary differences	Deferred tax asset	Deferred tax liability	Net
2008				
Intangible assets	(3,648,120)	1,661	(978,776)	(977,115)
Property, plant and equipment	(23,845)	13,174	(19,998)	(6,824)
Inventories	(15,735)	17,398	(18,657)	(1,259)
Other current assets	(102,998)	2,454	(28,030)	(25,576)
Non-current liabilities	33,380	12,775	(2,764)	10,011
Current liabilities	59,599	18,122	(115)	18,007
Tax loss carried forward, etc.	203,152	55,688	-	55,688
Tax asset/(tax liability)	(3,494,567)	121,272	(1,048,340)	(927,068)
Offset within the same legal entity	-	(105,905)	105,905	-
Net tax asset/(tax liability)	-	15,367	(942,435)	(927,068)

Deferred tax assets not recognized relate to:

DKK thousand	2009	2008
Non-deductible exchange losses carried forward in Denmark	39,880	67,721
Total	39,880	67,721

20 LONG-TERM EMPLOYEE BENEFITS

The Group has various pension plans covering certain groups of employees in various subsidiaries. The pension plans are defined contribution plans, and in certain subsidiaries the Group has long-term liabilities which will be paid before or on the employees' retirement (other long-term employee benefits).

DKK thousand	2009	2008
Balance at the beginning of the year	9,436	8,240
Exchange rate adjustments	(172)	1,070
Expenses for the year	2,089	2,025
Provision utilized in the year	(2,210)	(1,899)
Liability at December 31	9,143	9,436

Defined contribution plans

In the case of defined contribution plans, Dako undertakes to pay a defined contribution. These pension plans are funded by premium payments to independent pension companies. Dako has no pension liabilities toward the employees covered by the plan on their retirement.

Pension contributions relating to defined contribution plans are recognized as an expense in the income statement in the qualifying year.

The most important defined contribution plans cover employees in Denmark, the US and France. The expenses for the year relating to defined contribution plans were DKK 38,566 thousand (2008: DKK 32,006 thousand).

Other long-term employee benefits

At December 31, 2009 a provision of DKK 9,143 thousand (2008: DKK 9,436 thousand) has been recognized to cover other long-term employee benefits in Japan, Italy, Spain, Germany and France. Payment of other long-term employee benefits is conditional upon specified criteria being met.

The expenses for the year relating to other long-term employee benefits were DKK 2,089 thousand (2008: DKK 2,025 thousand).

21 CREDIT INSTITUTIONS

The majority of the Group's debt is regulated by a Senior Facilities Agreement and a Mezzanine Facility Agreement entered into in connection with the acquisition of Dako in May 2007. In addition, Dako has mortgage debt on the buildings in Denmark and the US and minor local facilities in Japan and Italy.

DKK thousand	Interest	Maturity	Fixed/variable	Carrying amount	Description
2009					
DKK	DKK O/N + margin	2014	Variable	69,310	Revolving credit facility
EUR	Libor 1 month + margin	2014	Variable	96,635	Revolving credit facility
DKK	Cibor 3 months + margin	2027	Variable	251,059	Mortgage debt
USD	2.10%	2011	Variable	14,985	Debt affiliates
USD	7.91%	2013	Fixed	6,966	Debt affiliates
USD	Libor 3 months + margin	2015/2016	Variable	1,164,382	Senior Facility
USD	Libor 3 months + margin	2017	Variable	896,533	Mezzanine Facility
EUR	1.53%	Uncommitted credit line	Variable	4,695	Debt affiliates
EUR	Libor 1 month + margin	2015/2016	Variable	1,560,382	Senior Facility
JPY	0.76%	Uncommitted credit line	Variable	15,012	Debt affiliates
Total				4,079,959	

DKK thousand	Interest	Maturity	Fixed/variable	Carrying amount	Description
2008					
DKK	DKK O/N + margin	2014	Variable	32,636	Revolving credit facility
USD	Libor 1 month + margin	2014	Variable	49,024	Revolving credit facility
DKK	Cibor 3 months + margin	2027	Variable	251,009	Mortgage debt
USD	2.35%	2011	Variable	16,094	Debt affiliates
USD	7.91%	2013	Fixed	8,816	Debt affiliates
USD	Libor 3 months + margin	2015/2016	Variable	1,182,958	Senior Facility
USD	Libor 3 months + margin	2017	Variable	840,565	Mezzanine Facility
EUR	6.03%	Uncommitted credit line	Variable	8,669	Debt affiliates
EUR	Libor 1 month + margin	2015/2016	Variable	1,557,128	Senior Facility
JPY	1.50%	Uncommitted credit line	Variable	26,317	Debt affiliates
Total				3,973,216	

DKK thousand	2009	2008
Credit facilities are recognized in the balance sheet as follows:		
Non-current liabilities	3,988,279	3,903,014
Credit institutions	89,017	67,622
Mortgage debt	2,663	2,580
Current liabilities	91,680	70,202
Total carrying amount of credit facilities	4,079,959	3,973,216
Accrued interests (included in credit institutions in current liabilities)	13,115	36,052
Total credit facilities	4,093,074	4,009,268
Nominal value (carrying amount adjusted for capitalized loan expenses)	4,152,473	4,056,448
Fair value	4,152,473	4,056,448

21 CREDIT INSTITUTIONS (continued)

At year-end the Group had undrawn committed credit facilities under the Senior Facilities Agreement amounting to DKK 172 million (2008: DKK 264 million). The undrawn committed credit facilities consist of a Revolving Facility Commitment of DKK 73 million (2008: DKK 164 million) and a CAPEX/R&D Facility Commitment of DKK 99 million (2008: DKK 100 million). The facilities mature in 2014.

There is no amortization of the DKK-denominated mortgage debt until 2017. There is no amortization of the Senior Facilities Agreement and the Mezzanine Facility Agreement until maturity. The carrying amount of the USD Mezzanine Facility includes capitalized interest of DKK 163 million (7.5% p.a.) (2008: DKK 96 million).

The Senior Facilities and Mezzanine Facility are subject to customary undertakings, covenants and other restrictions. Financial covenants include debt and interest cover ratios as well as cash flows and capital expenditure cover ratios.

Collateral in a property in the US has been provided as security for the USD debt in affiliates. No collateral has been provided for the JPY- and EUR-denominated debt in affiliates. For contingent assets and liabilities related to the credit facilities, reference is made to note 28, Contingent assets and liabilities.

At December 31, 2009 loan costs less amortization amounting to DKK 72 million (2008: DKK 83 million) have been recognized in non-current liabilities.

The Company has entered into interest rate swaps to hedge the interest rate risk on floating-rate interest-bearing debt. See note 30.

22 FINANCE LEASE OBLIGATIONS

Obligations regarding finance leases can be specified as follows:

DKK thousand	Lease payments	Interest	Carrying amount
2009			
Within one year	1,780	(512)	1,268
Between one and five years	4,340	(1,548)	2,792
After five years	7,508	(1,542)	5,966
Total	13,628	(3,602)	10,026

DKK thousand	Lease payments	Interest	Carrying amount
2008			
Within one year	1,930	(549)	1,381
Between one and five years	4,821	(1,661)	3,160
After five years	8,342	(1,869)	6,473
Total	15,093	(4,079)	11,014

Finance leases relate mainly to contracts regarding buildings for production facilities and IT. The net book value of the leased assets amounts to DKK 8,008 thousand (2008: DKK 9,077 thousand) (note 13).

23 PROVISIONS

DKK thousand	Warranties	Restructuring	Other	Total
2009				
Provisions at January 1	6,161	0	41,911	48,072
Used during the year	(3,919)	(27,622)	(598)	(32,139)
Provision for the year	3,386	36,899	5,223	45,508
Reversed during the year	(2,169)	-	(192)	(2,361)
Exchange rate adjustment	(55)	-	(7)	(62)
Provisions at December 31	3,404	9,277	46,337	59,018

DKK thousand	Warranties	Restructuring	Other	Total
2008				
Provisions at January 1	12,131	364	3,500	15,995
Acquired through business combinations	-	-	14,158	14,158
Used during the year	(18,425)	(2,013)	(4,594)	(25,032)
Provision for the year	14,539	2,081	28,915	45,535
Reversed during the year	(2,303)	(431)	(64)	(2,798)
Exchange rate adjustment	219	(1)	(4)	214
Provisions at December 31	6,161	0	41,911	48,072

The maturities for other provisions are expected to be:

DKK thousand	2009	2008
Current provisions	31,169	21,732
Non-current provisions	27,849	26,340
Total provisions	59,018	48,072

Warranties

The majority of the warranty provision relates to instruments sold. The provision is based on estimates made from historical warranty data for similar products. The Group expects to use the provision over the next year.

Restructuring

Costs for restructuring are the estimated costs based on Executive Management's best estimate of costs directly related to the restructuring. For 2009 the year-end balance is DKK 9,277 thousand (2008: DKK 0 thousand).

Other provisions

Other provisions include obligations of DKK 18,488 thousand (2008: DKK 15,571 thousand) for liabilities expected to be incurred over the next year.

24 OTHER LIABILITIES

Other liabilities include negative fair value of derivatives of DKK 162,828 thousand (2008: DKK 181,827 thousand) as well as holiday allowances, VAT, salaries and social security costs and fees.

GROUP – NOTES

Consolidated statement of cash flows

25 CHANGE IN WORKING CAPITAL

DKK thousand	2009	2008
(Increase)/decrease in inventories	(47,511)	41,179
(Increase)/decrease in receivables	(64,048)	5,015
Increase/(decrease) in trade payables and other liabilities	(6,783)	(62,172)
Change in working capital	(118,342)	(15,978)

26 INVESTMENT IN NON-CURRENT ASSETS

DKK thousand	2009	2008
Intangible assets	(91,753)	(18,938)
Property, plant and equipment	(142,437)	(128,355)
Non-current financial assets	(223)	(808)
Investment in non-current assets	(234,413)	(148,101)

27 CASH AND CASH EQUIVALENTS

DKK thousand	2009	2008
Cash	28,886	53,202
Short-term bank debt	(89,018)	(67,622)
Cash and cash equivalents	(60,132)	(14,420)

GROUP – NOTES

Supplementary information

28 CONTINGENT ASSETS AND LIABILITIES

Senior Facilities Agreement and Mezzanine Facility Agreement

Dako A/S has executed a share pledge over its shares in Dako Denmark A/S as security for the Senior Facilities and a secondary share pledge over these shares as security for the Mezzanine Facility. Dako A/S, Dako Denmark A/S and certain material subsidiaries of Dako Denmark A/S have provided guarantees for Dako A/S' borrowings under the Senior Facilities and Mezzanine Facility. The borrowings and guarantees of those subsidiaries have been secured by security in the form of bank accounts, trade receivables, intercompany receivables, intellectual property rights and certain other assets of Dako A/S and these subsidiaries. In addition, the shares in the material subsidiaries and certain of their subsidiaries have been pledged. The guarantees and securities shall be deemed not to be assumed if and to the extent required to ensure compliance with Danish statutory provisions on unlawful financial assistance.

Contractual obligations

DKK thousand	2009	2008
Payments of rental and lease liabilities due:		
Within one year	12,598	11,184
Between one and five years	16,389	20,762
After five years	-	2,393
Total contractual obligations	28,987	34,339

The above rental and lease liabilities relate to non-cancelable operating lease agreements mainly regarding offices. Rental and leasing expenses for the year ended December 31, 2009 amount to DKK 13,171 thousand (2008: DKK 13,355 thousand).

Assets pledged as security

DKK thousand	2009	2008
The following assets are pledged as security for the Group's loans:		
Land and buildings with a carrying amount of	400,543	421,475
Total assets held as security	400,543	421,475
Assets held under finance leases with a carrying amount of	8,652	9,077

Other guarantees

DKK thousand	2009	2008
Total other guarantees	12,607	10,379

Pending disputes and litigation

There are a limited number of ongoing disputes which involve companies in the Dako Group. Such disputes may involve claims for compensation and damages. In the opinion of Executive Management, these claims will have no effect on the financial position of the Group beyond what has been recognized in the financial statements.

Representations and warranties

At December 31, 2008 Dako Denmark A/S had issued representations and warranties to Beckman Coulter, Inc. in connection with the disposal of the Flow Instrumentation business unit. As no claims were raised by the end of June 2009 this is no longer applicable to Dako.

29 RELATED PARTY TRANSACTIONS

Dako A/S was founded on February 25, 2007 by Delphi S.a.r.l., which has the controlling influence in Dako A/S. Furthermore, a number of managers in the Dako Group have acquired shares in Dako A/S. The ultimate controlling party of Dako A/S is EQT V Limited.

Dako A/S has no other related parties with controlling influence.

During the year under review, Dako did not engage in any related party transactions beyond general remuneration to the Board of Directors and the Executive Management. All transactions between related parties take place on an arm's length basis.

Incentive programs

The principal shareholders have offered the Executive Management, Board members and a number of managers in Dako the opportunity to invest in the company through a management participation program.

30 FOREIGN EXCHANGE AND INTEREST RATE RISK, AND USE OF FINANCIAL INSTRUMENTS

Dako can use financial instruments and derivatives to hedge significant interest rate and foreign exchange risks resulting from the Group's commercial core business. Dako does not use financial instruments or derivatives for speculative purposes. The contractual value of the Group's derivative financial instruments and unrealized gains and losses is specified below.

Financial risks

The Group's financial risk management is based on policies approved by the Board of Directors. The Group may use derivatives to hedge financial risks. Hedging of financial risks is managed at corporate level and is only focused on managing risks arising from the Group's operations and financing. It is not policy to take positions in the financial markets.

The financial risk factors primarily comprise foreign exchange, interest rate and credit risks.

Foreign exchange risk

Foreign exchange risk occurs both as a result of imbalance between income and expenses in each foreign currency and because the Group has net assets in a number of foreign subsidiaries.

Subsidiaries outside Denmark mainly do business in local currencies, both internally within the Group and with external partners. Therefore the majority of the risk relates to translating the income statement of foreign subsidiaries into Danish kroner. However, fluctuations in exchange rates may affect the Group to the extent that the interest expenses are not denominated in the same currencies as the revenue.

The Group had no material exposure to foreign exchange risk related to receivables and payables in foreign currencies as at December 31, 2009 except those related to credit facilities. A translation risk exists when translating intercompany loans and the value of investments in foreign subsidiaries into Danish kroner. It is not Group policy to hedge this risk. The exposure on investments in foreign subsidiaries is shown below.

Currency investment in DKK thousand	2009	2008
EUR	25,775	44,381
JPY	27,405	21,853
USD	259,112	248,315
Other	8,031	23,949
Total	320,323	338,498

In 2009, the currencies in which the Group's revenue was denominated increased by an average of 2.3% relative to the DKK, increasing revenue by DKK 40 million.

The majority of the risk on foreign exchange stems from the USD. A 10% strengthening of the DKK against the USD at December 31, 2009 would impact equity, EBITDA* and profit or loss for the year by the amounts shown below.

Effect of a 10% weakening of the USD (DKK thousand)	2009	2008
Equity	186,302	189,859
EBITDA*	(8,082)	(8,185)
Net profit	228,329	230,318

A 10% weakening of the DKK against the USD at December 31, 2009 would have had an equal but opposite effect on equity, EBITDA* and net profit.

* See definition on page 3.

Interest rate risk

Interest rate risk occurs as a consequence of imbalance between interest-bearing assets and liabilities, and changes in the interest rate influence both the balance sheet and the income statement. Dako uses interest rate swaps (pay fixed rate and receive floating rate) to hedge a part of the floating-rate debt in EUR, USD and DKK. At the end of 2009 the Group's nominal interest-bearing debt (excluding capitalized loan expenses) was DKK 4,152 million (2008: DKK 4,056 million), of which DKK 4,145 million (2008: DKK 4,047 million) was at variable interest rates and DKK 7 million (2008: DKK 9 million) was at fixed interest rates with varying terms. However, the interest rate risk on 83% of the debt has been hedged with interest rate swaps with an average duration of 1.4 years (2008: 2.4 years). 92% of the USD-denominated debt and 75% of the EUR-denominated debt have been hedged. The DKK 251 million mortgage loan has been hedged as well. As a whole, a 1% change in the interest rates at December 31, 2009 would cause a change of DKK 12 million in the yearly interest expenses. The interest rate swaps were originally entered into with a 3-month fixing period for the variable leg. In September 2008, the fixing period for the EUR-denominated swaps was changed from 3 months to 1 month by adjusting some of the existing transactions and by entering into basis swaps converting the 3-month fixing into 1-month fixing. The interest rate swaps are adjusted to fair value and recognized directly in equity. The fair value is based on observable current market transactions.

30 FOREIGN EXCHANGE AND INTEREST RATE RISK, AND USE OF FINANCIAL INSTRUMENTS
(continued)

DKK thousand	Fixing period	Contractual value	Unrealized gains/(losses) on adjustment to fair value	Taken directly to equity
2009				
Interest rate swap maturing September 2012 (DKK 251,889 thousand)	3 months	251,889	(13,955)	(13,955)
Interest rate swap maturing July 2010 (USD 93,250 thousand)	3 months	483,977	(10,113)	(6,712)
Interest rate swaps maturing July 2011 (USD 186,500 thousand)	3 months	967,954	(60,671)	(50,513)
Interest rate swap maturing July 2012 (USD 93,250 thousand)	3 months	483,977	(29,166)	(24,333)
Interest rate swap maturing July 2010 (EUR 63,750 thousand)	1 month	474,396	(11,173)	(9,522)
Interest rate swap maturing July 2011 (EUR 63,750 thousand)	1 month	474,396	(26,072)	(24,403)
Interest rate swap maturing July 2010 (EUR 21,250 thousand)	3 months	158,132	(3,962)	(2,646)
Interest rate swap maturing July 2011 (EUR 21,250 thousand)	3 months	158,132	(7,815)	(6,487)
Basis swap maturing July 2010 (EUR 21,250 thousand)	Changing 3 months to 1 month	158,132	(43)	127
Basis swap maturing July 2011 (EUR 21,250 thousand)	Changing 3 months to 1 month	158,132	142	324
Value of terminated swaps etc.		-	-	(12,825)
Total interest rate instruments		3,769,117	(162,828)	(150,945)

DKK thousand	Fixing period	Contractual value	Unrealized gains/(losses) on adjustment to fair value	Taken directly to equity
2008				
Interest rate swap maturing September 2012 (DKK 251,889 thousand)	3 months	251,889	(9,781)	(9,781)
Interest rate swap maturing July 2010 (USD 93,250 thousand)	3 months	492,817	(11,593)	(13,412)
Interest rate swaps maturing July 2011 (USD 186,500 thousand)	3 months	985,634	(72,023)	(71,426)
Interest rate swap maturing July 2012 (USD 93,250 thousand)	3 months	492,817	(35,280)	(32,701)
Interest rate swap maturing July 2010 (USD 63,750 thousand)	3 months	474,976	(17,339)	(15,756)
Interest rate swap maturing July 2011 (EUR 63,750 thousand)	1 month	474,976	(25,051)	(23,495)
Interest rate swap maturing July 2010 (EUR 21,250 thousand)	3 months	158,325	(3,555)	(3,718)
Interest rate swap maturing July 2011 (EUR 21,250 thousand)	3 months	158,325	(4,999)	(5,181)
Basis swap maturing July 2010 (EUR 21,250 thousand)	Changing 3 months to 1 month	158,325	(1,166)	358
Basis swap maturing July 2011 (EUR 21,250 thousand)	Changing 3 months to 1 month	158,325	(1,039)	500
Value of terminated swaps etc.		-	-	(49,152)
Total interest rate instruments		3,806,409	(181,826)	(223,764)

30 FOREIGN EXCHANGE AND INTEREST RATE RISK, AND USE OF FINANCIAL INSTRUMENTS (continued)

Credit risk

The Group's credit risk primarily relates to receivables, securities, cash and cash equivalents, and positive fair values of derivative financial instruments. The balance sheet valuation of all the items mentioned corresponds to the size of the maximum credit risk. The Group has historically not experienced any material loss on receivables, as most customers are public hospitals or laboratories.

Counterparty risks concerning cash and cash equivalents and financial instruments are managed by only entering into agreements with financial institutions which have achieved a satisfactory rating from recognized international credit-rating institutions. Current hedging counterparties are Nordea Bank Finland PLC, Nykredit A/S and Goldman Sachs International.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The majority of the Group's credit facilities are long-term committed facilities maturing in 2014 onwards.

Capital management

Dako's capital structure is characterized by an equity ratio of 36% (2008: 36%). It is the intention to maintain a substantial equity ratio going forward.

The Senior Facilities and the Mezzanine Facility prevent the Group from making distributions unless certain financial tests and other criteria are satisfied. Earnings will therefore be consolidated, and accordingly it is not the intention to pay out dividends in the near future.

31 DISCONTINUED OPERATIONS

After the acquisition of Dako in 2007 the Flow Instrumentation activities were put up for sale in order to sharpen Dako's focus on cell-based cancer diagnostics. The Flow Instrumentation activities were not profitable.

Dako disposed of the Flow Instrumentation activities on December 28, 2007. As no claims have been raised within the 18 months' warranty period that expired at the end of June 2009, an accrual for potential claims amounting to DKK 29,731 thousand has been recognized in 2009.

32 BUSINESS COMBINATIONS

Acquisition of subsidiaries and business units, 2009

There has been no acquisition of subsidiaries or business units in 2009. An adjustment of DKK 400 thousand for professional fees and a reversal of bad debt related to the acquisition of InstrumeC AS, acquired in 2008, was made in 2009.

Acquisition of subsidiaries and business units, 2008

On August 29, 2008 Dako acquired 100% of the shares in the Norwegian instrument development company InstrumeC AS. The company had an extensive external network in software development and instrument production. It had more than 15 years' experience in the innovation, design and production of Coverslippers and H&E stainers. The acquisition is in line with Dako's strategy to contribute to faster and more accurate cancer diagnoses by improving the workflow in pathology laboratories around the world.

Name of business	Primary activity	Acquisition date	Holding acquired	Cost (DKK thousand)
InstrumeC AS	Diagnostics	August 29, 2008	100%	97,263
Net assets acquired				
DKK thousand		Pre-acquisition carrying amount	Adjustment/ reclassifications	Recognized values on acquisition
2008				
Non-current assets:				
- Intangible assets		4,644	-	4,644
- Other non-current assets		633	1,350	1,983
Current assets:				
- Inventories		4,325	(4,325)	-
- Receivables		369	(94)	275
- Other current assets		828	-	828
- Cash		4	-	4
Total assets		10,803	(3,069)	7,734
Non-current liabilities:				
- Loans		7,511	-	7,511
Other provisions		-	14,158	14,158
- Trade and other payables		2,237	-	2,237
Total liabilities		9,748	14,158	23,906
Net identifiable assets and liabilities		1,055	(17,227)	(16,172)
Present value adjustment of contingent considerations				7,774
Goodwill				105,661
Cost price				97,263
Transaction costs				3,373
Purchase price, nominal value				93,890
Cash in InstrumeC AS				(7,507)
Payment in shares				(46,945)
Contingent considerations				(32,862)
Net cash outflow				21,590

Together with acquisition costs in 2008 related to the acquisition of Dako, total cash outflow for 2008 amounts to DKK 26 million.

The cost price for InstrumeC AS was DKK 97 million.

After fair value adjustments in the preliminary purchase price allocation, goodwill amounts to DKK 106 million, which mainly represents synergies, workforce in place, and future income and growth expectations.

InstrumeC AS is included in the consolidated figures from August 29, 2008.

Consolidated pro forma net sales and consolidated pro forma operating profit for the year, calculated as if the acquisition of InstrumeC AS had been carried out at January 1, 2008, amount to DKK 1,644 million and DKK 136 million respectively.

The calculated pro forma revenue and consolidated pro forma operating income for the year are based on Executive Management's estimates and are presented for information purposes only and have not been audited. This information does not represent the results Dako would have achieved had the acquisition occurred on January 1, 2008. In addition, the information should not be used as the basis for or as a prediction of any annualized calculation.

33 EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

On January 18, 2010 Dako and AstraZeneca announced they had signed an agreement to develop companion diagnostics for cancer treatment.

The Board of Directors and Executive Management are not aware of any other events subsequent to December 31, 2009 which may have a material impact on the Group's financial position or outlook.

34 NEW ACCOUNTING REGULATIONS

The IASB has adopted the following new International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) that are not mandatory for Dako A/S in the preparation of the Annual Report for 2009: IFRS 3, amendments to IAS 27, amendments to IAS 39 (issued July 2008), amendments to IFRIC 9 and IAS 39, amendments to IFRS 2, part of the improvements to IFRS (May 2008) and improvements to IFRS (April 2009) and IFRIC 18. Only IFRS 3, amendments to IAS 27 and improvements to IFRS (May 2008) have been adopted by the EU.

Dako A/S expects to adopt the new Standards and Interpretations from the effective dates in 2010. None of the Standards or Interpretations are expected to significantly affect the financial reporting of Dako A/S.

PARENT COMPANY

Income statement

DKK thousand	Note	2009	2008
Net sales		26,485	19,048
Administrative expenses	2	(27,172)	(19,253)
Operating loss		(687)	(205)
Financial income	4	69,304	44,803
Financial expenses	5	(333,858)	(417,175)
Loss before tax		(265,241)	(372,577)
Tax on profit/(loss) for the year	6	8,071	9,578
Net loss for the year		(257,170)	(362,999)

It is proposed that the net loss for the year be distributed as follows:

Retained earnings	(257,170)	(362,999)
Total	(257,170)	(362,999)

PARENT COMPANY

Statements of comprehensive income and changes in equity

DKK thousand	Share capital	Hedging reserve	Retained earnings	Prepaid share reserve	Total equity
2009					
Equity at January 1	100,198	(187,155)	2,918,732	46,945	2,878,720
Net loss for the year	-	-	(257,170)	-	(257,170)
Value adjustments of derivatives	-	40,646	-	-	40,646
Tax on value adjustment of derivatives	-	608	-	-	608
Amortization of derivatives	-	36,327	-	-	36,327
Other comprehensive income after tax	-	77,581	0	-	77,581
Total comprehensive income for the year	-	77,581	(257,170)	-	(179,589)
Capital increase	24	-	752	-	776
Equity at December 31	100,222	(109,574)	2,662,314	46,945	2,699,907

DKK thousand	Share capital	Hedging reserve	Retained earnings	Prepaid share reserve	Total equity
2008					
Equity at January 1	100,198	(73,727)	3,281,731	-	3,308,202
Net loss for the year	-	-	(362,999)	-	(362,999)
Value adjustments of derivatives	-	(122,547)	-	-	(122,547)
Tax on value adjustment of derivatives	-	2,231	-	-	2,231
Amortization of derivatives	-	6,888	-	-	6,888
Other comprehensive income after tax	-	(113,428)	-	-	(113,428)
Total comprehensive income for the year	-	(113,428)	(362,999)	-	(476,427)
Consideration in Dako A/S' shares, acquisition of InstrumeC AS	-	-	-	46,945	46,945
Equity at December 31	100,198	(187,155)	2,918,732	46,945	2,878,720

Hedging reserve

The hedging reserve contains the accumulated net change in the fair value of hedging transactions which meet the criteria for hedging future cash flows where the hedged transaction has yet to be realized.

Prepaid share reserve

As part of the purchase price for the Norwegian company InstrumeC AS acquired effective August 29, 2008, Dako A/S will no later than August 31, 2010 issue 1,179,744 nominal A shares and 196,246 nominal B shares corresponding to an agreed value of NOK 50 million.

PARENT COMPANY

Balance sheet

DKK thousand	Note	2009	2008
Investment in subsidiary	7	6,328,561	6,328,561
Loan to subsidiary		299,131	388,401
Deferred tax asset	8	13,785	26,838
Total non-current assets		6,641,477	6,743,800
Prepayments and other receivables		1,643	2,480
Cash and cash equivalents		0	13,400
Total current assets		1,643	15,880
Total assets		6,643,120	6,759,680
Total equity		2,699,907	2,878,720
Credit institutions	10	3,717,933	3,629,675
Other provisions	11	27,849	26,340
Total non-current liabilities		3,745,782	3,656,015
Credit institutions	10	41,464	50,430
Trade payables		267	403
Other liabilities	12	155,700	174,112
Current liabilities		197,431	224,945
Total liabilities		3,943,213	3,880,960
Total equity and liabilities		6,643,120	6,759,680

PARENT COMPANY

Statement of cash flows

DKK thousand	Note	2009	2008
Operating loss		(687)	(205)
Adjustment for non-cash items:			
Interest received		26,720	43,250
Interest paid		(220,101)	(286,360)
(Increase)/decrease in working capital	13	1,983	(1,541)
Income tax received		21,732	-
Cash flows from/(to) operating activities		(170,353)	(244,856)
Acquisition of subsidiaries and business units		-	(4,449)
Investment in other non-current financial assets		90,779	187,591
Cash flows from/(to) investing activities		90,779	183,142
Free cash flows		(79,574)	(61,714)
Capital increases		776	-
New non-current debt		51,435	59,315
Repayment of non-current debt		-	(153,013)
Cash flows from/(to) financing activities		52,211	(93,698)
Increase/(decrease) in cash and cash equivalents		(27,363)	(155,412)
Cash and cash equivalents at January 1		(991)	154,421
Total cash and cash equivalents at December 31	14	(28,354)	(991)

PARENT COMPANY

Notes

1 ACCOUNTING POLICIES

General

The Parent Company's Annual Report is presented in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and additional Danish reporting requirements in the Danish Financial Statements Act.

The Annual Report is presented in Danish kroner (DKK).

The Group's accounting policies are presented in note 1 to the consolidated financial statements. The accounting policies for the Parent Company are the same as for the Group, with the following additions.

Supplementary accounting policies for the Parent Company

Financial assets

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, it is written down to this lower value.

The parent company has effective 1 January 2009 implemented the change to IAS 27 whereby dividends received from subsidiaries are always recognized in the income statement and not deducted from the cost even if the dividend relates to pre-acquisition earnings.

Estimation uncertainty

Calculation of the carrying amount of some assets and liabilities is based on estimates of uncertain future events. Such estimates are made, for example, when testing investment in subsidiary for impairment.

The estimates used and the assumptions underlying them are believed by Executive Management to be reasonable. However, general risks and uncertainties may cause the actual outcome to depart from these estimates.

2 STAFF EXPENSES

DKK thousand	2009	2008
Wages and salaries	19,210	12,247
Defined contribution pension plans and other long-term employee benefits	2,073	863
Other social security costs, etc.	(38)	33
Total staff expenses	21,245	13,143

Included in the consolidated income statement under the following headings:

Administrative expenses	21,245	13,143
Average number of employees	5	6
Remuneration to Executive Management	12,207	7,215
Remuneration to the Board of Directors	770	391
Total remuneration to Executive Management and Board of Directors	12,977	7,606

Executive Management has bonus schemes that are dependent on specific conditions being met. Executive Management has also entered into termination agreements with a 12-month period of notice. In 2009 the amount also included severance payment of DKK 4,977 thousand to the former CEO and CFO.

3 FEES TO STATUTORY AUDITORS

DKK thousand	2009	2008
Audit	500	475
Other assurance engagements	134	350
Tax and VAT advisory services	-	215
Other services	623	1,004
Total fees to statutory auditors	1,257	2,044

4 FINANCIAL INCOME

DKK thousand	2009	2008
Interest income	13	1,301
Interest income, subsidiary	23,995	34,095
Ineffective portion of cash flow interest rate hedges	2,792	-
Other financial income	2,712	9,407
Exchange gains (net)	39,792	0
Total financial income	69,304	44,803

5 FINANCIAL EXPENSES

DKK thousand	2009	2008
Interest expenses, credit institutions, etc.	282,270	313,885
Amortization costs	48,219	19,181
Ineffective portion of cash flow interest rate hedges	-	3,413
Other financial expenses	3,369	3,840
Exchange loss (net)	0	76,856
Total financial expenses	333,858	417,175

6 TAX FOR THE YEAR

DKK thousand	2009	2008
Change in deferred tax	13,662	(10,057)
Joint taxation contribution from Dako Denmark A/S	(21,733)	-
Prior year adjustments	-	479
Total tax in the income statement for the year	(8,071)	(9,578)

DKK thousand	2009	Percent	2008	Percent
Profit/(loss) before tax	(265,241)		(372,577)	
Calculated tax on pre-tax profit/(loss), 25%	(66,310)	25.0%	(93,144)	25.0%
Tax effect of:				
Capitalized expenses, tax-deductible	-	-	479	(0.1)%
Interest expense, not deductible	58,239	(22.0)%	83,087	(22.3)%
Total tax in the income statement for the year	(8,071)	3%	(9,578)	2.6%

7 INVESTMENT IN SUBSIDIARY

DKK thousand	2009	2008
Cost at January 1	6,328,561	6,329,086
Additions	-	4,449
Disposals	-	(4,974)
Carrying amount at December 31	6,328,561	6,328,561

Ownership interest	Domicile	2009	2008
Dako Denmark A/S	Glostrup, Denmark	100%	100%

8 DEFERRED TAX ASSETS

DKK thousand	2009	2008
Balance at January 1	26,838	15,029
Deferred tax recognized through the income statement	(13,662)	9,578
Deferred tax recognized through equity	608	2,231
Balance at December 31	13,785	26,838

Deferred tax relates to:

DKK thousand	2009	2008
Balance at December 31:		
Loan cost amortized	9,112	5,649
Tax loss carried forward	4,673	21,189
Tax asset	13,785	26,838

Recognition

Deferred tax assets are recognized as assets when it is likely that they will reduce future tax payments within a reasonable period of time.

Deferred tax liability on undistributed earnings from shares in subsidiaries is not recognized, as Dako A/S controls the timing of such distribution or sale and it is not considered likely in the foreseeable future.

9 SHARE CAPITAL

2009	Number of shares thousand	Nominal value DKK thousand
Share capital at January 1	100,198	100,198
Capital increase during the year	24	24
Share capital at December 31	100,222	100,222

2008	Number of shares thousand	Nominal value DKK thousand
Share capital at January 1	100,198	100,198
Share capital at December 31	100,198	100,198

The share capital consists of 85,072,341 A shares (84.9%), which carry 10 votes per share, and 15,150,059 B shares (15.1%), which carry 1 vote per share. The A shares have a preferential right to the amount paid plus an annual return of 14%. The remaining earnings will be distributed among the holders of B shares.

Right of first refusal on sale or disposal of the investment

The A shares have a right of first refusal to purchase B shares, or part thereof, in the event of a sale of B shares.

Shareholders

The majority shareholder is Delphi S.a.r.l., Luxembourg, which holds 98.3% of the shares. Delphi S.a.r.l. is ultimately controlled by EQT V Limited. The remaining 1.7% of the shares are distributed among current employees and Board members of Dako A/S.

Prepaid share reserve

As part of the purchase price for the Norwegian company InstrumeC AS acquired effective August 29, 2008, Dako A/S will no later than August 31, 2010 issue 1,179,744 nominal A shares and 196,246 nominal B shares corresponding to an agreed value of NOK 50 million.

10 CREDIT INSTITUTIONS

DKK thousand		Maturity	Fixed/variable	Carrying amount	Description
2009					
DKK	DKK O/N + margin	2014	Variable	28,355	Revolving credit facility
EUR	Libor 1 month + margin	2014	Variable	96,635	Revolving credit facility
USD	Libor 3 months + margin	2015/2016	Variable	1,164,382	Senior Facility
USD	Libor 3 months + margin	2017	Variable	896,533	Mezzanine Facility
EUR	Libor 1 month + margin	2015/2016	Variable	1,560,382	Senior Facility
Total				3,746,287	

DKK thousand		Maturity	Fixed/variable	Carrying amount	Description
2008					
DKK	DKK O/N + margin	2014	Variable	14,391	Revolving credit facility
USD	Libor 1 month + margin	2014	Variable	49,024	Revolving credit facility
USD	Libor 3 months + margin	2015/2016	Variable	1,182,958	Senior Facility
USD	Libor 3 months + margin	2017	Variable	840,565	Mezzanine Facility
EUR	Libor 1 month + margin	2015/2016	Variable	1,557,128	Senior Facility
Total				3,644,066	

DKK thousand	2009	2008
Credit facilities are recognized in the balance sheet as follows:		
Non-current liabilities	3,717,933	3,629,675
Credit institutions	28,354	14,391
Total carrying amount of credit facilities	3,746,287	3,644,066
Accrued interests (included in credit institutions in current liabilities)	13,110	36,039
Total credit facilities	3,759,397	3,680,105
Nominal value (carrying amount adjusted for capitalized loan expenses)	3,817,970	3,727,298
Fair value	3,817,970	3,727,298

At year-end, the Company had undrawn committed credit facilities amounting to DKK 138 million (2008: DKK 212 million). The undrawn committed credit facilities consist of a Revolving Facility Commitment of DKK 39 million (2008: DKK 112 million) and a CAPEX/R&D Facility Commitment of DKK 99 million (2008: DKK 100 million). The facilities mature in 2014.

There is no amortization of the Senior Facilities Agreement and the Mezzanine Facility Agreement until maturity. The carrying amount of the USD Mezzanine Facility includes capitalized interest of DKK 163 million (7.5% p.a.) (2008: DKK 96 million).

The Senior Facilities and Mezzanine Facility are subject to customary undertakings, covenants and other restrictions. Financial covenants include debt and interest cover ratios as well as cash flows and capital expenditure cover ratios. For contingent assets and liabilities related to the credit facilities, reference is made to note 16, Contingent assets and liabilities.

At December 31, 2009 loan costs less amortization amounting to DKK 72 million (2008: DKK 83 million) have been recognized in non-current liabilities.

The Company has entered into interest rate swaps to hedge the interest rate risk. See note 15.

11 PROVISIONS

Provisions of DKK 27,849 thousand (2008: DKK 26,340 thousand) comprise contingent considerations related to the acquisition of InstrumeC AS.

12 OTHER LIABILITIES

DKK thousand	2009	2008
Fair value of derivatives	148,871	172,046
Other liabilities	6,829	2,066
Total other liabilities	155,700	174,112

13 CHANGES IN WORKING CAPITAL

DKK thousand	2009	2008
(Increase)/decrease in receivables	149	143
Increase/(decrease) in trade payables and other liabilities	1,834	(1,684)
Changes in working capital	1,983	(1,541)

14 CASH AND CASH EQUIVALENTS

DKK thousand	2009	2008
Cash	0	13,400
Credit institutions (note 10)	(28,354)	(14,391)
Cash and cash equivalents	(28,354)	(991)

15 FOREIGN EXCHANGE AND INTEREST RATE RISK, AND USE OF FINANCIAL INSTRUMENTS

Dako uses financial instruments and derivatives to hedge significant interest rate and foreign exchange risks resulting from Dako A/S' commercial core business, and does not as such use financial instruments or derivatives for speculative purposes. The contractual value of Dako A/S' derivative financial instruments and unrealized gains and losses is specified below.

Financial risks

The financial risk factors primarily comprise foreign exchange, interest rate and credit risks. The financial policy of the Company stipulates that financial instruments are only used to minimize the financial risks resulting from business activities.

Foreign exchange risk

Foreign exchange risk occurs as a result of imbalance between assets and liabilities in foreign currencies.

The majority of the risk on foreign exchange stems from the USD debt. A 10% strengthening of the DKK against the USD at December 31, 2009 would impact the equity, EBITDA* and profit or loss for the year by the amounts shown below.

Effect of a 10% weakening of the USD (DKK thousand)	2009	2008
Equity	227,746	229,970
EBITDA*	0	0
Net profit	227,746	229,970

A 10% weakening of the DKK against the USD at December 31, 2009 would have had an equal but opposite effect on equity, EBITDA* and net profit.

* See definition on page 3.

Interest rate risk

Interest rate risk occurs as a consequence of imbalance between interest-bearing assets and liabilities, and changes in the interest rate influence both the balance sheet and the income statement. Dako uses interest rate swaps (pay fixed rate and receive floating rate) to hedge a part of the floating-rate debt in EUR, USD and DKK. At the end of 2009 the nominal interest-bearing debt (excluding capitalized loan expenses) in Dako A/S was DKK 3,818 million (2008: DKK 3,727 million), of which DKK 3,818 million (2008: DKK 3,727 million) was at variable interest rates. However, the interest rate risk on 84% of the debt has been hedged with interest rate swaps with an average duration of 1.3 years (2008: 2.3 years). 92% of the USD-denominated debt and 75% of the EUR-denominated debt have been hedged. As a whole, a 1% change in the interest rates at December 31, 2009 would cause a change of DKK 11 million in the yearly interest expenses. The interest rate swaps were originally entered into with a 3-month fixing period for the variable leg. In September 2008, the fixing period on the EUR-denominated swaps was changed from 3 months to 1 month by adjusting some of the existing transactions and by entering into basis swaps converting the 3-month fixing into 1-month fixing. The interest rate swaps are adjusted to fair value and recognized directly in equity. The fair value is based on observable current market transactions.

15 FOREIGN EXCHANGE AND INTEREST RATE RISK, AND USE OF FINANCIAL INSTRUMENTS
(continued)

DKK thousand	Fixing period	Contractual value	Unrealized gains/(losses) on adjustment to fair value	Taken directly to equity
2009				
Interest rate swap maturing July 2010 (USD 93,250 thousand)	3 months	483,997	(10,113)	(6,712)
Interest rate swaps maturing July 2011 (USD 186,500 thousand)	3 months	967,954	(60,671)	(50,513)
Interest rate swap maturing July 2012 (USD 93,250 thousand)	3 months	483,977	(29,166)	(24,333)
Interest rate swap maturing July 2010 (EUR 63,750 thousand)	1 month	474,396	(11,173)	(9,522)
Interest rate swap maturing July 2011 (EUR 63,750 thousand)	1 month	474,396	(26,072)	(24,403)
Interest rate swap maturing July 2010 (EUR 21,250 thousand)	3 months	158,132	(3,962)	(2,646)
Interest rate swap maturing July 2011 (EUR 21,250 thousand)	3 months	158,132	(7,815)	(6,487)
Basis swap maturing July 2010 (EUR 21,250 thousand)	Changing 3 months to 1 month	158,132	(43)	127
Basis swap maturing July 2011 (EUR 21,250 thousand)	Changing 3 months to 1 month	158,132	142	324
Value of terminated swaps etc.		-	-	(12,825)
Total interest rate instruments		3,517,228	(148,873)	(136,990)

DKK thousand	Fixing period	Contractual value	Unrealized gains/(losses) on adjustment to fair value	Taken directly to equity
2008				
Interest rate swap maturing July 2010 (USD 93,250 thousand)	3 months	492,817	(11,593)	(13,412)
Interest rate swaps maturing July 2011 (USD 186,500 thousand)	3 months	985,634	(72,023)	(71,426)
Interest rate swap maturing July 2012 (USD 93,250 thousand)	3 months	492,817	(35,280)	(32,701)
Interest rate swap maturing July 2010 (USD 63,750 thousand)	3 months	474,976	(17,339)	(15,756)
Interest rate swap maturing July 2011 (EUR 63,750 thousand)	1 month	474,976	(25,051)	(23,495)
Interest rate swap maturing July 2010 (EUR 21,250 thousand)	3 months	158,325	(3,555)	(3,718)
Interest rate swap maturing July 2011 (EUR 21,250 thousand)	3 months	158,325	(4,999)	(5,181)
Basis swap maturing July 2010 (EUR 21,250 thousand)	Changing 3 months to 1 month	158,325	(1,166)	358
Basis swap maturing July 2011 (EUR 21,250 thousand)	Changing 3 months to 1 month	158,325	(1,039)	500
Value of terminated swaps etc.		-	-	(49,152)
Total interest rate instruments		3,554,520	(172,045)	(213,983)

15 FOREIGN EXCHANGE AND INTEREST RATE RISK, AND USE OF FINANCIAL INSTRUMENTS

(continued)

Credit risk

The Group's credit risk primarily relates to receivables, securities, cash and cash equivalents, and positive fair values of derivative financial instruments. The balance sheet valuation of all the items mentioned corresponds to the size of the maximum credit risk. The Group has historically not experienced any material loss on receivables.

Counterparty risks concerning cash and cash equivalents and financial instruments are managed by only entering into agreements with financial institutions which have achieved a satisfactory rating from recognized international credit-rating institutions. Current hedging counterparties are Nordea Bank Finland PLC and Goldman Sachs International.

Liquidity risk

Liquidity risk is the risk that Dako A/S will not be able to meet its financial obligations as they fall due. Dako A/S' approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Dako A/S' reputation. The majority of Dako A/S' credit facilities are long-term committed facilities maturing in 2014 onwards.

Capital management

The Senior Facilities and the Mezzanine Facility prevent the Group from making distributions unless certain financial tests and other criteria are satisfied. Earnings will therefore be consolidated, and accordingly it is not the intention to pay out dividends in the near future.

16 CONTINGENT ASSETS AND LIABILITIES

Senior Facilities Agreement and Mezzanine Facility Agreement

Dako A/S has executed a share pledge for its shares in Dako Denmark A/S as security for the Senior Facilities, and a secondary share pledge for these shares as security for the Mezzanine Facility. Dako A/S, Dako Denmark A/S and certain material subsidiaries of Dako Denmark A/S have provided guarantees for Dako A/S' borrowings under the Senior Facilities and Mezzanine Facility. The borrowings and guarantees of those subsidiaries have been secured by security in the form of bank accounts, trade receivables, intercompany receivables, intellectual property rights and certain other assets of Dako A/S and these subsidiaries. In addition, the shares in the material subsidiaries and certain of their subsidiaries have been pledged. The guarantees and securities shall be deemed not to be assumed if and to the extent required to ensure compliance with Danish statutory provisions on unlawful financial assistance.

Tax

Together with other Group companies, Dako A/S is jointly and severally liable for taxes related to joint taxation.

17 RELATED PARTY TRANSACTIONS

Dako A/S was founded on February 25, 2007 by Delphi S.a.r.l., which has the controlling influence in Dako A/S. Furthermore, a number of managers in the Dako Group have acquired shares in Dako A/S. The ultimate controlling party of Dako A/S is EQT V Limited.

Dako A/S has no other related parties with controlling influence.

During the year under review, Dako A/S did not engage in any related party transactions beyond general remuneration to the Board of Directors and the Executive Management. All transactions between related parties take place on an arm's length basis.

Incentive programs

The principal shareholders have offered the Executive Management, Board members and a number of managers in Dako the opportunity to invest in the Company through a management participation program.

18 EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

On January 18, 2010 Dako and AstraZeneca announced they had signed an agreement to develop companion diagnostics for cancer treatment.

The Board of Directors and Executive Management are not aware of any other events subsequent to December 31, 2009 which may have a material impact on the Group's financial position.

19 NEW ACCOUNTING REGULATIONS

The IASB has adopted the following new International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) that are not mandatory for Dako A/S in the preparation of the Annual Report for 2009: IFRS 3, amendments to IAS 27, amendments to IAS 39 (issued July 2008), amendments to IFRIC 9 and IAS 39, amendments to IFRS 2, part of the improvements to IFRS (May 2008) and improvements to IFRS (April 2009) and IFRIC 18. Only IFRS 3, amendments to IAS 27 and improvements to IFRS (May 2008) have been adopted by the EU.

Dako A/S expects to adopt the new Standards and Interpretations from the effective dates in 2010. None of the Standards or Interpretations is expected to significantly affect the financial reporting of Dako A/S.

GROUP OVERVIEW

Company	Currency	Capital (thousand)		Ownership (%)	
		2009	2008	2009	2008
Parent					
Dako A/S	DKK	100,222	100,198	100	100
Sales companies					
Dako France S.A.S., Trappes, France	EUR	234	234	100	100
Dako Netherlands B.V., Eindhoven, Netherlands	EUR	18	18	100	100
Dako Belgium N.V., Heverlee, Belgium	EUR	62	62	100	100
Dako Italia S.p.A., Milan, Italy	EUR	1,548	1,548	100	100
Dako Polska Sp. z o.o., Gdynia, Poland	PLN	100	100	100	100
Dako Schweiz AG, Baar, Switzerland	CHF	300	300	100	100
Dako Österreich GmbH, Vienna, Austria	EUR	18	18	100	100
Dako Diagnósticos S.A., Barcelona, Spain	EUR	240	240	100	100
Dako Sweden AB, Stockholm, Sweden	SEK	200	200	100	100
Dako Deutschland GmbH, Hamburg, Germany	EUR	26	26	100	100
Dako (Australia) Pty. Ltd., Sydney, Australia	AUD	310	310	100	100
Dako Canada, Inc., Toronto, Canada	CAD	350	350	100	100
Dako Japan Inc., Tokyo, Japan	JPY	80,000	80,000	100	100
Dako Diagnostics Ireland Ltd., Dublin, Ireland	EUR	0	0	100	100
Dako Czech Republic s.r.o., Brno, Czech Republic*	CZK	100	100	100	100
Dako UK Ltd., UK	GBP	0	0	100	100
Dako Finland Oy, Finland	EUR	19	19	100	100
Dako InstrumeC AS, Norway	NOK	970	970	100	100
Dako do Brasil LTDA, Brazil	BRL	110	-	99	-
Dako Diagnostics (Shanghai) Co. Ltd., China	USD	250	-	100	-
Danish companies					
Dako Denmark A/S, Glostrup, Denmark	DKK	61,682	61,682	100	100
Dako Norge, Oslo Branch		-	-	-	-
US companies					
DC-US Holdings, Inc., Delaware, USA	USD	4,148	4,148	100	100
Dako North America, Inc., Carpinteria, USA	USD	4,148	4,148	100	100
BPI Holding, Inc., Delaware, USA (8,001 shares of USD 0.01)	USD	1	1	100	100
DCI Real Estate Holdings, Inc., Delaware, USA	USD	4	4	100	100
Other companies					
Aperio Technologies, Inc., California, USA	USD	103,583	102,738	11	11

* Company was liquidated in 2009.

FINANCIAL DEFINITIONS

When calculating financial key figures and ratios, Dako uses the guidelines published by the Danish Society of Financial Analysts in 2005.

EBITDA*

Earnings before interest, taxes, depreciation, amortization and impairment losses.

EBITDA (%)*

Earnings before interest, taxes, depreciation, amortization and impairment losses as a percentage of sales.

EBITDA BEFORE OTHER INCOME AND EXPENSES*

Earnings before other income and expenses, taxes, depreciation, amortization and impairment losses.

EBITDA BEFORE OTHER INCOME AND EXPENSES (%)*

Earnings before other income and expenses, taxes, depreciation, amortization and impairment losses as a percentage of sales.

ADJUSTED EBITDA*

Earnings before interest, taxes, depreciation, amortization, impairment losses, other income and expenses, and fair value adjustments.

ADJUSTED EBITDA (%)*

Earnings before interest, taxes, depreciation, amortization, impairment losses, other income and expenses, and fair value adjustments as a percentage of sales.

EFFECTIVE TAX RATE (%)

Tax on profit/(loss) for the year as a percentage of profit before income taxes.

EQUITY RATIO

Equity as a percentage of total assets at year-end.

FINANCIAL GEARING

Net interest-bearing debt divided by equity.

NET INTEREST-BEARING DEBT

Interest-bearing liabilities less interest-bearing assets.

NET WORKING CAPITAL

All current assets less current liabilities used in or necessary for the operations of the business excluding taxes.

NUMBER OF SHARES

The total number of shares excluding the holding of treasury shares.

OPERATING PROFIT/(LOSS) BEFORE OTHER INCOME AND EXPENSES

Earnings before interest, taxes and non-recurring items.

OPERATING PROFIT/(LOSS)

Earnings before interest and taxes.

DIVIDEND PER SHARE

Proposed dividend divided by number of shares at year-end.

RETURN ON EQUITY (%)

Net profit/(loss) for the year as a percentage of average equity.

* EBITDA, EBITDA before other income and expenses and Adjusted EBITDA (together "EBITDA") are non-IFRS measures. "EBITDA" is presented as a supplemental performance measure to facilitate operating performance comparisons from period to period by eliminating potential differences between periods caused by variations in capital structure, tax positions, and the age of and depreciation expenses associated with fixed assets. "EBITDA" should not be considered in isolation or as a substitute for operating profit or other statements of operations or cash flow data prepared in accordance with IFRS as a measure of profitability or liquidity. "EBITDA" does not take into account debt service requirements and other commitments, including capital expenditures, and, accordingly, is not necessarily indicative of amounts that may be available for discretionary uses. In addition, "EBITDA", as presented in this Annual Report, may not be comparable to similarly titled measures reported by other companies due to differences in the way these measures are calculated.