



Annual Report

for the financial year January 1 – December 31, 2009

CB Diagnostics Holding AB

Phadia

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This English annual report is a translation of the Swedish original. In the event of discrepancy between the English translation and the Swedish original, the original Swedish version shall prevail.

Chairman's Statement

As in previous years, 2009 was once again a year of growth for the Phadia Group. In the face of a challenging global economy Phadia again posted significant year over year growth and further increased its position as a global market leader in the field of Specialty Diagnostics.

The expansion of the company's focus into the emerging diagnostic segment of Molecular Allergology along with the introduction of new markers for autoimmune diseases has further expanded the company's product offerings, addressed a number of unmet clinical needs and provided yet additional channels for ongoing growth.

Annual revenue growth for 2009 was strong across the globe with increases in both the US and International regions taking the lead. The strong performance in these regions demonstrates the considerable opportunity that exists within each and underscores the growth potential that remains for Phadia's products.

Building upon strong multi-region opportunities, Phadia will continue to expand its business through the execution of six solid and well defined initiatives;

- A clinical growth strategy for the US, Europe and Japan
- Growth of ImmunoCAP Rapid

- Expansion into Molecular Allergology
- Targeting the need for specialty diagnostics within autoimmunity and related diseases
- Growth in selected emerging markets
- Development of the companion diagnostics market

These strategies will be implemented by a talented and experienced management team that continues to be led by our visionary CEO. This team has been enhanced in 2009 with strategic additions to the most senior team in order to add further balance and to add depth.

This combination of opportunities, added to an already impressive product offering and talented leaders, enhances Phadia's strength. Its market position grows and its product offerings expand. With its focus on meeting unmet clinical needs, I am convinced that Phadia is well positioned for continued, sustainable and impressive revenue and profit growth.

Daniel L. Peters
Chairman of the Board, Phadia Group

Chief Executive Officer's Review

2009 was the year in which Phadia proved its resilience to a general downturn in the market. Our sales grew organically by 9% at comparable exchange rates and the EBITDA margin reached 40% for the first time ever.

We had good sales across all regions. The International markets grew by 29%, the US by 19% and Europe by 5%. Japan showed growth for the first nine months of the year, however awareness and concerns related to swine flu crowded out 20% of our volumes in the fourth quarter, which led to a 1% full year decline. Fortunately, this swine flu effect in Japan now appears to have ended.

Significant achievements 2009

- A continuation of the US scale up of our sales force from 136 clinical sales representatives to 175 in 2009
- The acquisition of the multiplexing diagnostics technology of VBC Genomics
- Approval of ImmunoCAP Rapid in both US and Japan
- The establishment of PiRL – Phadia Immunology Reference Laboratory in the US
- Further European market share gains in allergy as well as in autoimmunity
- Successful conversion of the Czech Republic distributor to a market company
- Autoimmunity established in the US and Japan. Important customer gains and contracts achieved
- 100 million allergy tests produced
- Strengthened product pipeline in allergy as well as in autoimmunity
- Strengthened management through a number of high level recruitments

Looking forward

As we look to 2010 and beyond, we see six key routes that will enable Phadia to continue to grow faster than the market even in the longer term.

1. The experience we have gained in the US Clinical growth strategy will be explored and exported to Europe as well as to Japan, starting in 2010.
2. The point-of-care device ImmunoCAP Rapid, now approved in the US and Japan, will be launched on both markets in 2010.
3. In 2010 we will launch the concept of Molecular Allergology – a revolutionary concept for the future of determining allergy.
4. New markers and concepts for diagnosing patients with autoimmune and related diseases.
5. The entering into new markets with huge possibilities for growth. In 2010 India will be the most significant new market entry, where we will establish own operations.
6. The cooperation with pharmaceutical and other industrial customers to test for (allergy) side effects, in many cases leading to a long term companion diagnostics relationship.

Finally

On July 5, 2009 I lost a friend and Phadia lost a highly appreciated colleague, when Michael Land and his eldest son tragically died in a plane crash.

I would like to take this opportunity to express my appreciation for Michael and to say how much we miss him.

Magnus Lundberg
CEO and President

Administration Report

The Board of Directors and Chief Executive Officer of CB Diagnostics Holding AB, Corporate Identity Number 556712-9050, hereby submit the Annual Report and consolidated financial statements for the financial year January 1 – December 31, 2009. The comparative year is the financial year January 1 – December 31, 2008.

CB Diagnostics Holding AB is the Parent Company of the Phadia Group, hereinafter referred to as "Phadia". The figures presented refer to the Group, unless otherwise stated.

Operations

Phadia's operations consist of the development, manufacture and marketing of diagnostic products. The product area consists of complete blood test systems which are used for support of clinical diagnoses and the treatment of allergies, asthma and autoimmune diseases. The main business area is allergy diagnostics, but the operations also include autoimmunity, i.e. the diagnosis of autoimmune diseases.

The products are sold via the company's own subsidiaries in 22 countries and via distributors in other parts of the world. Production, research and development in the area of allergy diagnostics take place in Uppsala and Angelholm in Sweden, while production, research and development in the area of autoimmunity diagnostics take place in Freiburg, Germany. Production, research and development in the area of multiplexing diagnostics technology take place in Vienna, Austria.

Phadia has remained the global market leader in its field for nearly 30 years. Approximately 99 percent of the production is exported to more than 3,000 laboratories in 60 countries. Phadia's products are used for seven out of ten allergy laboratory tests in the world today.

Income and financial position

The Phadia Group's total net sales in 2009 amounted to MSEK 3,451 (2,796), a 23 percent increase compared to 2008.

Net Sales, MSEK	2009	2008
Europe ¹	1,823.4	1,588.2
USA	641.1	516.1
Japan	715.9	489.7
International ¹	270.2	201.6
Total	3,450.6	2,795.6

EBITDA² amounted to MSEK 1,396 (1,081), which is equivalent to a margin of 40 (39) percent.

Phadia's consolidated operating income was MSEK 1,164 (867). The net financial items were strongly affected by the exchange rate fluctuations during the year, MSEK 758 (-1,950), originating primarily from revaluation of loans in foreign currencies.

At the close of the fiscal year, the Group's short-term investments and cash and cash equivalents amounted to MSEK 783 (628).

Significant events during the financial year

During the year Phadia continued the clinical sales consultant representative (CSC) expansion in the US, leading to 24% growth in allergy sales. The number of CSCs increased from 136 to 175.

In the Czech Republic operations of a new subsidiary were started on April 1, 2009.

The remaining 75.1% of the shares in VBC Genomics Bioscience Research GmbH (now renamed Phadia Multiplexing Diagnostics GmbH) were acquired on July 1, 2009. From this date the company is a wholly-owned subsidiary of Phadia.

The United States Food and Drug administration (FDA) approved the ImmunoCAP Rapid 510k file in March 2009. The product launch will take place in Q1 2010.

ImmunoCAP Rapid received clearance in Japan, enabling introduction on the Japanese market in the first half of 2010.

The Phadia immunology Reference Laboratory, PiRL, in the US was officially inaugurated in March. The target audience is primarily allergologists and other specialists.

Important customer gains and contracts for autoimmunity (EliA) confirmed the entry into the US and Japan.

Future development

Allergy and autoimmune diseases are increasing, in the industrialized parts of the world as well as in emerging economies. In order to prevent problems for the individual patient, such as excessive or incorrect medication and unnecessary discomfort and suffering, diagnostics is an important tool. With the Phadia Group's global market leading position, Phadia has the prerequisites for continued strong growth.

Risks

Note 3 provides a description of the most significant risks and uncertainty factors that Phadia is facing. The most significant risks are the Group's currency risks, credit risks and interest rate risks. The interest rate risks are presented in a sensitivity analysis in the note. Other risks include reduced market growth or any reduced demand, increased competition and costs for disputes. Unexpected problems can also arise in research and development projects and can lead to research projects being terminated due to lack of success.

Investments

In line with Phadia's strategic expansion plans a new market company started operations in Prague, the Czech Republic, in early 2009.

Investments in tangible fixed assets amounted to MSEK 211 (171) during the financial year.

Personnel

On December 31, 2009, the number of employees in the Phadia Group was approximately 1,350 (1,270) in 22 countries, of which approximately 500 were employed in Sweden. The share of women employed was 50 (48) percent.

¹ International includes the Czech Republic.

² EBITDA defined as Income before interest, taxes, depreciation and amortization and excluding items affecting comparability of MSEK 39 (32).

Ownership structure

Phadia is owned by funds managed by Cinven Ltd and the company management, through CB Diagnostics Luxembourg S.à.r.l. For more information about Cinven, see page 41.

Important events after year-end

No significant events occurred after the balance-sheet date that have a material impact on the Group's financial position.

Research and development

During 2009 research activities were focused on the development of ImmunoCAP, ImmunoCAP Rapid and the ImmunoCAP Reader for the US market, and on ImmunoCAP ISAC. The development of two new instruments with higher capacities, Phadia 2500 and Phadia 5000, continued during 2009. These are capable of handling tests for both allergy and autoimmune diseases and will be launched during 2010 and 2011. The company has also initiated, launched and completed a number of product care and development projects.

The resources provided to R&D are equivalent to approximately 9 (11) percent of the total operating costs.

Financing

The Phadia Group's financing consists of a Senior Credit Facility, which amounted to MEUR 830 at the time of financing and amounts to MEUR 829.2 as per December 31, 2009, as well as a PIK Loan amounting to MEUR 225.9 at year end.

The Senior Credit Facility consists of 4 tranches Term A-D, a MEUR 30 Revolving Credit Facility and a MEUR 25 CAPEX and Acquisition Facility. The CAPEX and Acquisition Facility expire in January 2010. The Royal Bank of Scotland plc is assigned as agent for the Senior Credit Facility, while Credit Suisse holds the agency role in relation to the PIK Loan. The Senior Facilities and the PIK Loan together with a shareholder loan of MSEK 3,390.0 are intended to cover the long term financing needs of the Group. A description of financial instruments is available in Note 3.

Environmental impact

The subsidiary Phadia AB performs operations that are subject to permit requirements according to Chapter 9, Section 6 of the Environmental Code and in the subsidiary Allergon AB operations are conducted that are subject to notification obligation.

Phadia AB's operations include production, research and development. The environmental permission refers to the manufacturing of products based on cellulose sponges, Sepharose matrices and reagents. The operations affect the environment through acetone emissions into the air and water. The company works actively with the environmental issues according to ISO 14001:2004 in an integrated operational system and was certified in 2009. Issues relating to safety, health and environment are handled at all levels of the company. Depending on the nature of the issues, they are dealt with locally at the workplace, in groups with representatives of various parties involved like local environment groups, or in the central environment committee, always with focus on goals, action plans and continuous improvements.

The subsidiary Allergon AB carries out development, production and sale of raw materials for allergy diagnostics and immunotherapy, as well as production of raw materials for natural medicines. The company conducts its operations according to a permit obtained, even though the operations are no longer classified as requiring a permit, but only subject to notification obligation. The operations affect the environment primarily through emission of organic solvents, dust and noise, and to some extent waste water from processes and the cleaning of equipment and floor surfaces. Periodic inspections of the facilities are performed every three years. The company has integrated the environmental work with the current operational system according to ISO 9001:2008. Active work with environmental issues is continuously in progress,

partly in a central environment committee, partly in an environment group with representatives of various parties involved. Environmental aspects, goals and actions plans are revised annually.

Foreign branches

Phadia operates via its Irish branch, Phadia Ltd (Irish Branch).

Corporate governance

Responsibility for management and control of Phadia is divided between the General Meeting of Shareholders, the Board of Directors, and the CEO, as prescribed by the Swedish Companies Act and the Articles of Association. The Chairman and the Board Members are paid fees in accordance with the decision of the Annual General Meeting. No board fees are paid for work in the Board committees. (See Note 8.)

Remuneration Committee and Audit Committee

The Board of Directors in the subsidiary Sweden DIA (Sweden) AB appoints the Remuneration Committee, which in 2009 consisted of Chairman Daniel Peters, Stuart McAlpine, Supraj Rajagopalan and Magnus Lundberg (CEO). The Remuneration Committee establishes remuneration conditions for the Group's management. This includes fixed salaries, bonus plans, bonus goals and bonus payments.

The Board of Directors in the subsidiary Sweden DIA (Sweden) AB also appoints the Audit Committee, which in 2009 consisted of Daniel Peters, Stuart McAlpine, Supraj Rajagopalan, and Anders Lundmark (CFO), with Daniel Peters as the chair of the committee. The Audit Committee has accounting and audit tasks. At three scheduled meetings per year the committee decides on actions based on observations from the year's audits.

Proposed distribution of profit

The Board of Directors and the CEO propose that the earnings at disposal of SEK 868,715,142 be carried forward.

Consolidated Income Statement

MSEK	Note	2009	2008
Net sales	4, 5	3,450.6	2,795.6
Cost of sales		-584.6	-510.5
Gross profit		2,866.0	2,285.1
Selling expenses		-1,140.2	-937.9
Administrative expenses		-412.3	-301.8
Research and development expenses		-212.1	-224.1
Other operating income	11	66.7	46.8
Other operating expenses	12	-3.8	-1.4
Operating profit (EBIT)	6, 7, 8, 9, 10, 21	1,164.3	866.7
Financial income	13	7.0	17.3
Financial costs	6, 14	-221.2	-3,284.1
Financial exchange rate differences	6, 15	-52.1	127.5
Financial costs - net		-266.3	-3,139.3
Profit/loss before tax		898.0	-2,272.6
Income tax	16	-38.6	114.5
NET PROFIT (LOSS) FOR THE YEAR		859.4	-2,158.1

Consolidated Statement of Comprehensive Income

MSEK	Note	2009	2008
NET PROFIT (LOSS) FOR THE YEAR		859.4	-2,158.1
Other comprehensive income			
Exchange rate differences on investment in foreign operations	27	39.8	-103.3
Cash flow hedges		43.1	-144.9
Fair value losses, available-for-sale financial assets	23	50.3	-24.6
Income tax related to comprehensive income	16	-35.0	71.5
Currency translation differences	27	-62.9	114.5
Other comprehensive income for the year		35.3	-86.8
Total comprehensive income for the year		894.7	-2,244.9
Attributable to:			
Owners of the parent		894.7	-2,244.9

Consolidated Balance Sheet

MSEK	Note	Dec 31, 2009	Dec 31, 2008
ASSETS	35		
Fixed assets			
Property, plant and equipment	20	834.6	817.6
Goodwill	17	6,054.8	5,937.6
Other intangible assets	18	5,690.1	5,567.0
Investments in associates	19	-	48.3
Deferred income tax assets	16	308.2	237.0
Other financial fixed assets	23	67.8	50.9
		12,955.5	12,658.4
Current assets			
Inventories	24	459.6	423.6
Accounts receivable	25	878.1	849.3
Current tax receivables		21.9	16.0
Other receivables	25	86.9	36.6
Prepaid expenses and accrued income	26	40.5	31.5
Cash and cash equivalents	3	783.2	628.1
		2,270.2	1,985.1
TOTAL ASSETS		15,225.7	14,643.5

MSEK	Note	Dec 31, 2009	Dec 31, 2008
EQUITY AND LIABILITIES			
Total equity	27		
Share capital		0.1	0.1
Other contributed capital		912.7	912.7
Reserves		-82.3	-117.6
Retained earnings		-1,835.3	-2,694.7
		-1,004.8	-1,899.5
Long-term liabilities			
Long-term interest-bearing liabilities	28	13,649.8	14,102.2
Deferred income tax liabilities	16	1,550.1	1,451.4
Retirement benefit obligations	29	74.2	66.6
Other provisions	30	41.7	33.7
		15,315.8	15,653.9
Current liabilities			
Current portion of long-term interest-bearing liabilities	28	183.5	112.0
Accounts payable		179.7	118.7
Current tax liabilities		30.0	3.5
Other liabilities		70.3	133.0
Accrued expenses and deferred income	31	451.2	521.9
		914.7	889.1
TOTAL EQUITY AND LIABILITIES		15,225.7	14,643.5

Changes in Equity, Consolidated Accounts

MSEK	Note 27	Share capital	Other contributed capital	Reserves	Retained earnings	Total equity
Balance at January 1, 2008		0.1	912.7	-30.8	-536.6	345.4
Net loss for the year					-2,158.1	-2,158.1
Exchange rate differences on investments in foreign operations				-103.3		-103.3
Fair value losses, available-for-sale financial assets				-24.6		-24.6
Cash flow hedges				-144.9		-144.9
Income tax relating to other comprehensive income				71.5		71.5
Currency translation differences				114.5		114.5
Total other comprehensive income		-	-	-86.8	-2,158.1	-2,244.9
Total comprehensive income 2008		-	-	-86.8	-2,158.1	-2,244.9
Balance at January 1, 2009		0.1	912.7	-117.6	-2,694.7	-1,899.5
Net profit for the year					859.4	859.4
Exchange rate differences on investments in foreign operations				39.8		39.8
Fair value losses, available-for-sale financial assets				50.3		50.3
Cash flow hedges				43.1		43.1
Income tax relating to other comprehensive income				-35.0		-35.0
Currency translation differences				-62.9		-62.9
Total other comprehensive income		-	-	35.3	859.4	894.7
Total comprehensive income 2009		-	-	35.3	859.4	894.7
Balance at December 31, 2009		0.1	912.7	-82.3	-1,835.3	-1,004.8

Consolidated Cash Flow Statement

MSEK	Note	2009	2008
Operations			
Profit (loss) before income taxes		898.0	-2,272.6
Adjustment for non-cash flow items	33	113.4	3,003.0
Income tax paid		-31.4	-65.5
Cash flow from operations, excluding change in operating assets and liabilities		980.0	664.9
<i>Change in operating assets and liabilities</i>			
Change in inventories	24, 34	-35.9	-34.1
Change in current assets		-113.5	-198.2
Change in operating liabilities and provisions		-39.4	107.0
Cash flow from operations		791.2	539.6
Investments			
Acquisition of subsidiary	34	-171.6	-
Acquisition and investment of associates	19, 34	-	-0.5
Purchases of intangible assets	17, 18, 34	-53.3	-18.6
Purchases of property, plant and equipment	20, 34	-208.0	-170.5
Sale of tangible fixed assets	20	3.4	-
Acquisition of financial assets	23, 34	-0.6	-1.1
Cash flow from investments		-430.1	-190.7
Financing			
Repayment of loans		-203.7	-70.2
Cash flow from financing		-203.7	-70.2
Total cash flow		157.4	278.7
Cash and cash equivalents at beginning of period		628.1	339.5
Exchange-rate differences referring to cash and cash equivalents		-2.3	9.9
Cash and cash equivalents at end of period		783.2	628.1

Income Statement, Parent Company

MSEK	Note	2009	2008
Net sales		-	-
Gross profit		-	-
Operating profit (EBIT)		-	-
Interest income and similar items	13, 15	-	-9.7
Interest expense and similar items	14	-642.8	-623.6
Financial costs - net		-642.8	-633.3
Income tax	16	169.1	174.4
NET LOSS FOR THE YEAR		-473.7	-458.9

Balance Sheet, Parent Company

MSEK	Note	Dec 31, 2009	Dec 31, 2008
ASSETS	35		
Fixed assets			
<i>Non-current assets</i>			
Participation in Group companies	22	5,054.8	5,054.8
Deferred tax assets	16	26.7	18.6
		5,081.5	5,073.4
Current assets			
Receivables from subsidiaries		1,686.3	1,074.3
Prepaid expenses and accrued income		18.0	20.7
Cash and cash equivalents	3	0.1	0.1
		1,704.4	1,095.1
TOTAL ASSETS		6,785.9	6,168.5

MSEK	Note	Dec 31, 2009	Dec 31, 2008
EQUITY AND LIABILITIES			
Total equity	27		
<i>Restricted equity</i>			
Share capital		0.1	0.1
<i>Non-restricted equity</i>			
Retained earnings		1,342.4	1,350.3
Net loss for the year		-473.7	-458.9
		868.8	891.5
Long-term liabilities			
Other non-current loans	28	2,139.4	1,904.2
Shareholder loan	28	3,390.0	3,025.0
		5,529.4	4,929.2
Current liabilities			
Liabilities to Group companies		1.4	1.0
Accrued expenses and deferred income	31	386.3	346.8
		387.7	347.8
TOTAL EQUITY AND LIABILITIES		6,785.9	6,168.5
 PLEGDED ASSETS AND CONTINGENT LIABILITIES			
Pledged assets	35	None	None
Contingent liabilities	35	None	None

Changes in Equity, Parent Company

<u>MSEK</u>	<u>Note 27</u>	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total equity</u>
Total equity January 1, 2008		0.1	806.7	806.8
Group contribution received			755.0	755.0
Tax effect of Group contribution received			-211.4	-211.4
Net loss for the year			-458.9	-458.9
Total equity December 31, 2008		0.1	891.4	891.5
Group contribution received			612.0	612.0
Tax effect of Group contribution received			-161.0	-161.0
Net loss for the year			-473.7	-473.7
Total equity December 31, 2009		0.1	868.7	868.8

Cash Flow Statement, Parent Company

MSEK	Note 33	2009	2008
Operations			
Profit/loss before income taxes		-642.8	-633.3
Cash flow from operations, excluding change in operating assets and liabilities		-642.8	-633.3
<i>Change in operating assets and liabilities</i>			
Change in operating receivables and liabilities		42.2	-715.4
Cash flow from operations		-600.6	-1,348.7
Investments			
Change in current intra-group balances		-	545.7
Capital contributions to subsidiaries		-	-535.5
Cash flow from investments		0.0	10.2
Financing			
New long-term borrowings		600.6	583.5
Group contributions		-	755.0
Cash flow from financing		600.6	1,338.5
Total cash flow		-	-
Cash and cash equivalents at beginning of period		0.1	0.1
Cash and cash equivalents at end of period		0.1	0.1

Notes and Comments

Note 1 GENERAL INFORMATION

CB Diagnostics Holding AB, with Corporate Identity Number 556712-9050, is a registered limited liability company with its registered office in Uppsala, Sweden. The address of the company's head office is Box 6460, 751 37 Uppsala. The Annual report has been presented by the Board of Directors and is proposed to be adopted by the Annual General Meeting of shareholders in May 2010. CB Diagnostics Holding AB is the Parent Company for the Phadia Group. The operations consist of the development, manufacture and marketing of diagnostic products. Phadia sells complete blood testing systems which are used to support clinical diagnoses and the treatment of allergies, asthma and autoimmune diseases.

Note 2 SUMMARY OF IMPORTANT ACCOUNTING PRINCIPLES

The accounting principles for the consolidated accounts are unchanged since last year.

Basis for preparation of the Group's financial reports

Phadia's consolidated accounts have been prepared in accordance with the Annual Accounts Act, the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretation statements from the International Financial Reporting Interpretations Committee (IFRIC), which have been adopted by the EU Commission for application within the EU.

The consolidated accounts have been prepared in accordance with the acquisition method, except for financial assets and liabilities (including derivative instruments) which are valued at fair value via the income statement.

The Parent Company's functional currency is SEK, which is also the reporting currency of the Parent Company and the Group. Consequently the financial reports are presented in SEK. All amounts, unless otherwise stated, are rounded off to the nearest hundred thousand.

Consolidated accounting principles

Subsidiaries are companies in which the Group has the right to formulate financial operative strategies in a manner which usually arises with a shareholding equivalent to more than fifty percent of the voting rights. The existence and potential effect of voting rights, which can currently be used or converted, is considered during the assessment of whether the Group has controlling influence over a given company. Subsidiaries are included in the consolidated accounts from the date upon which the decisive influence is obtained. Subsidiaries are excluded from the consolidated accounts from the date upon which the decisive influence ceases to exist.

The purchase method is used for reporting the Group's acquisition of subsidiaries. The cost of an acquisition is comprised of the fair value of assets submitted as remuneration, issued equity instruments and accrued or assumed liabilities per date of transfer, plus costs which are directly attributable to the acquisition. Identifiable acquired assets and assumed liabilities and contingent liabilities in a corporate acquisition are initially valued at fair value on the date of acquisition, regardless of the scope of any minority shareholding. The surplus comprised of the difference between acquisition cost and the fair value of the Group's share of identifiable acquired net assets is reported as goodwill. If the acquisition cost is less than the fair value of the acquired subsidiary's net assets, the difference is reported directly in the income statement.

Intra-Group transactions and balance sheet items, as well as unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated, unless the transaction indicates evidence of the existence of a write-down requirement for the transferred asset.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recorded at cost. Phadia's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recorded in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Segment reporting

The company's follow-up of the geographical segments is not applicable to the demands defined in IFRS 8 for segment reporting. The company can thus not report segments in accordance with IFRS 8.

Translation of foreign subsidiaries' annual accounts

Items included in the financial reports for the different units in the Group are valued in the currency used in the financial environment in which the respective company is primarily active (functional currency). In the consolidated accounts SEK, which is the Parent Company's functional and reporting currency, is used. The income and financial position for all Group companies (of which none has a high inflation currency) which have a functional currency other than the reporting currency (SEK) are translated into the Group's reporting currency as follows:

- assets and liabilities on the balance sheet are translated at the closing rate of exchange,
- income and expenses in the income statement are translated at the monthly average rate of exchange (unless this average rate is not a reasonable approximation of the accumulated effect of the rates valid on the date of transaction, in which case income and expenses are translated per the date of transaction).

All exchange rate differences arising from translation are reported as a separate item within equity.

During consolidation, exchange rate differences arising as a result of the translation of net investments in foreign operations are recorded as equity. During the sale of foreign operations, such exchange rate differences are reported in the income statement as a part of capital gains/losses.

Goodwill and adjustments of fair value, arising through acquisitions of foreign operations, are treated as assets and liabilities in these operations and are translated at the closing rate of exchange.

Revenue recognition

The Group reports revenue in accordance with IAS 18, which is a standard for revenue recognition

Revenue related to the sale of goods is reported when the following criteria are fulfilled: significant risks and benefits are transferred to the buyer, the company no longer has any control over the sold goods, revenue can be calculated in a reliable manner, it is likely that financial benefits will accrue to the company, and expenses resulting from the transaction can be calculated in a reliable manner. In the delivery of goods, an assessment based on freight and delivery conditions etc. is conducted to determine whether the criteria for revenue recognition have been fulfilled.

Revenues related to services are reported when the service is supplied, if the revenue can be calculated in a reliable manner and it is likely that the financial benefits will accrue to the company. Sales are reported net after VAT and discounts. Intra-Group sales are eliminated in the consolidated accounts.

Interest income

Interest income is recorded over the duration of the instrument.

Interest expenses

Interest expenses are carried through profit and loss in the period to which the expense is related.

Guarantee expenses

Phadia expenses on a continuous basis the amount assessed as necessary to cover future guarantee commitments for sold products. The accrued guarantee cost is included in the item Other provisions.

Reporting of income tax

Reported income tax includes tax which is to be paid or received in the current year, adjustments concerning the previous years' current taxes and changes in deferred tax. All income tax liabilities and receivables are valued at their nominal amount according to tax regulations and tax rates that have been approved or substantially enacted and which are likely to be adopted. For items reported in the income statement, related tax effects are also reported in the income statement. Tax is charged directly against equity if the tax is attributable to items that are charged directly against equity.

Deferred tax is calculated according to the balance sheet method in respect of all temporary differences arising between the reported value and the tax value of the assets and liabilities. These temporary differences have primarily arisen through adjustments to fair value in connection with acquisitions, amortization of intangible fixed assets and provisions and allocations.

Temporary differences are not considered for good-will related to consolidation or for participations in subsidiaries which are not expected to be taxed within the foreseeable future.

Deferred tax assets regarding losses carried forward or other future tax deductions are reported to the extent that it is probable that the deduction can be settled against a surplus when taxed in the future.

Accounting of financial instruments

Phadia Group classifies its financial assets and liabilities according to the following categories: (a) Financial assets and financial liabilities at fair value through income statement, (b) Loans and receivables, (c) Financial assets available-for-sale and (d) Other financial liabilities. The classification depends on the purpose for which the financial asset or liability was acquired.

(a) Financial assets and financial liabilities at fair value through income statement

A financial asset or liability classified in this category is held for trading and is acquired principally for the purpose of selling in the short term. The Group's assets and liabilities belonging to this category are classified as current assets and short term liabilities. They consist of bank deposits and those derivatives for which hedge accounting is not applied. Financial assets and liabilities at fair value through income statement are reported at fair value, both at the time of acquisition and subsequently thereafter. Transaction costs are reported in the income statement.

Net results relating to interest rate derivatives are recognized in the income statement within Financial costs. Gross results from the valuation of currency forwards related to future anticipated cash flows are valued at fair value within Financial costs. Gross results from financial currency forwards and bank deposits are recognized through income statement within Financial income and in Financial costs. In the balance sheet, the corresponding results are recognized as follows:

- net results in Accrued expenses and deferred income for interest rate derivatives,
- gross results in Other receivables/Other liabilities for currency forwards and
- gross results in Prepaid expenses and accrued income/Accrued expenses and deferred income for financial currency forwards and bank deposits.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or predetermined payments that are not quoted in an active market. Assets in this category are classified as current assets if the maturity date is equal to or less than 12 months and as non-current assets if the maturity date is more than 12 months after the balance sheet date. Loans and receivables are reported at fair value plus transaction costs at the time of investment.

A reservation for doubtful receivables is made when it is considered likely that the Group will not be able to receive the matured amounts related to the receivables. The loss from such adjustment is recorded in the income statement as Selling expenses. Note 25 provides further information.

(c) Financial assets available-for-sale

Financial assets in this category are non-derivative assets that have been identified as available-for-sale or have not been classified into any of the other categories. These assets are identified as non-current if they are not intended to be sold within 12 months after the balance sheet date. Changes in fair value related to financial instruments, which are classified as available-for-sale, are recorded in equity in the item Reserves. When financial instruments in this category are sold or subject to write-downs, accumulated fair value adjustments are transferred from equity to the income statement in Financial income and Financial costs. Dividends from instruments related to shares that can be sold are recorded in the income statement in Financial income at the time when the right to receive such payments is decided upon.

(d) Other financial liabilities

The Group's borrowings and accounts payables are reported in this category. Borrowings are initially reported at fair value net after transaction costs and subsequently at amortized cost using the effective interest method. Liabilities in this category are classified as short-term if they mature within 12 months after balance sheet date and as long-term if the maturity date exceeds 12 months after the balance sheet date. Borrowing is reported at amortized cost and any difference between the received amount (net after transaction costs) and the amount to be repaid is reported in the income statement distributed over the term applying the effective interest method.

Principles for valuation of financial assets and liabilities

Purchases and sales of financial assets are reported on the value date, i.e. the date on which the transaction is executed. At each balance sheet date, an assessment is made to determine whether any objective evidence exists that would imply a need for write-downs of a financial asset or a group of financial assets. Regarding shares classified as available-for-sale, a material or sustained depreciation of the fair value, to a level under the purchase price, is considered as an indication for the need for a write-down. If such evidence exists, the accumulated loss is transferred from equity to the income statement. Financial assets are removed from the balance sheet when the rights to receive cash flows from the investments have expired or have been transferred and the majority of risks and rewards associated with ownership have been transferred. A financial liability, or portion of a financial liability, is removed from the balance sheet only when it expires, e.g. when the commitment stated in the agreement is fulfilled, cancelled or has expired. Profits and losses arising from changes in the fair value of the financial assets and financial liabilities at fair value through income statement category are reported in the period in which they arise. The method applied for the reporting of profits and losses arising from valuations at fair value of derivatives, depends on whether the derivatives are identified as hedging instruments or not, as well as on the nature of the items being hedged.

Fair value calculations

To determine the fair value of financial instruments traded on an active market, official market rates on the balance sheet date are used. The fair value of interest rate swaps is calculated as the present value of anticipated future cash flows. For currency forwards, market forward rates on the balance sheet are used. Fair value of financial instruments quoted on the stock exchange is based on the latest price paid on the balance sheet date. If the market for a financial asset is not active, as well as for financial instruments not quoted on the stock exchange, existing market information is used to the largest extent possible. When calculating the fair value of borrowings, only general changes in market rates are considered.

Hedge accounting

When a hedge relation is established, the relation between the hedging instrument and the hedged item is documented, as well as the Group's objective and strategy for the risk management related to the hedge. Assessments of the hedge's effectiveness are conducted and documented at the time of the establishment of the hedge relation and continuously thereafter.

The Group designates part of the third party bank debt as hedges of a net investment in a foreign operation. Profits and losses arising from changes in fair value related to the hedges of net investments in foreign operations are reported in equity to the extent that the hedge is considered effective and complies with the requirements for hedge accounting. In case of ineffectiveness, the result is reported in the income statement within Financial exchange rate differences. Profits and losses accumulated in equity are reported in the income statement, in Financial exchange rate differences, if the foreign net investment has decreased in value or if the foreign operation is entirely or partially disposed of. The Group identifies certain interest rate derivatives as hedges related to highly probable forecasted transactions, so called cash flow hedges. Partial hedge accounting is applied for these hedges. Gains and losses arising from changes in fair value are recorded in equity to the extent that the hedge is considered effective and complies with the requirements for hedge accounting. For parts of the hedge relation which are considered ineffective and for parts where hedge accounting is inapplicable, the gains and losses are recorded in the income statement. This net result is recorded in the Financial costs. Gains and losses accumulated in equity are transferred to the income statement in the same period in which the hedged item matures.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, as well as from translation of monetary assets and liabilities in foreign currencies at the exchange rate at the balance sheet date are reported in the income statement, except when qualifying for hedge accounting, and thereby recorded in equity. Non-monetary assets and liabilities which are reported at historical initial values are translated using the exchange rate at the time of the transaction.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments.

Intangible fixed assets

Goodwill

Goodwill represents the difference between the acquisition value of a subsidiary or associated company and the Group's portion of the fair value of the acquired company's net assets. Goodwill arising from the acquisition of a subsidiary is reported as an intangible asset. Goodwill is not amortized but is reported at acquisition cost reduced by accumulated write-downs. Write-down requirements are tested annually. See further *Assessments and estimations*, below. Profits or losses on the sale of a unit include the remaining reported value of goodwill referring to the sold unit.

Capitalized product development expenses

Phadia applies IAS 38, Intangible Assets, with respect to research expenses. Expenses for development projects (related to the designing and testing of new or improved products) are reported as intangible assets, as it is considered likely that they will give rise to future economic advantages. Expenses for product development with respect to projects which the company can demonstrate are technically possible to complete and commercialize in a profitable manner, and which fulfill the remaining criteria established by the International Accounting Standards Board (IASB), are activated and systematically depreciated. If the expected recoverable amount falls below acquisition value, with deductions for accumulated depreciation, there is a write-down to the recoverable amount. This write-down is reversed in the income statement when the recoverable amount exceeds the reported value.

Other expenses for development projects are reported as expenses as they arise. Capitalized product development expenses are depreciated when the product is produced commercially on a straight-line basis over the product's estimated useful life, not exceeding five years.

Other intangible fixed assets

Trademarks and core technology are defined as intangible assets with indefinite useful lives. These intangible assets are not depreciated. Write-down requirements are tested annually through comparisons of the recoverable amounts and the book values, or when indications of depreciation arise.

Distribution rights, patents, licenses, and other intangible fixed assets are activated and depreciated on a straight-line basis over their estimated useful lives, resulting in a depreciation period of three to ten years.

Property plant and equipment

Tangible fixed assets are stated at historical acquisition costs less depreciation and write-downs. Assets in acquired companies are reported at market value on the date of acquisition less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

Depreciation is based on the initial acquisition value less calculated residual value. Depreciation is calculated with the straight-line method over the estimated useful life of the asset. Land is not depreciated.

Buildings	20-40 years
Plant and machinery	3-10 years
Equipment, tools, and fixtures	3-10 years
IT hardware/Infrastructure	3-5 years

Fixtures and improvements on other entities' properties are depreciated during the shortest of either the period of the underlying lease agreement or the asset's estimated useful life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing the proceeds with the asset's carrying amount and are recognized within other operating income/expenses in the Income Statement.

Accounting of lease agreements

Lease agreements in which Phadia is the lessee are normally reported as expenses on a straight-line basis throughout the duration of the agreement (operational lease agreements). In cases in which the lease agreement implies that the Group as lessee essentially enjoys the economic benefits and carries the economic risks attributable to the leasing object, the object is recorded as a fixed asset on the Group's balance sheet (financial lease agreements). Equivalent commitments to pay lease expenses in the future are recorded as interest-bearing liabilities.

The majority of the Group's lease agreements concerns real estate, which is reported as operational leasing. Also lease agreements applying to cars are reported as operational leasing, as the value is considered to be immaterial. Payments for the lease contracts are reported as expenses on a straight-line basis in the Income Statement for the leasing period.

Lease agreements in which Phadia is the lessee normally imply that the economic benefits and risks are not transferred to the lessee. Income is recorded on a straight-line basis throughout the duration of the lease agreement (operational lease agreement). Leasing of instruments with operational lease agreements occurs within the Group.

Impairment

Phadia applies IAS 36 Impairment of Assets, which implies that an assessment of an asset's recoverable amount is made whenever there is an indication of a reduction of the asset's value to an amount less than the recorded value. For goodwill and intangible assets which are not depreciated, the assets' recoverable amounts are assessed annually. If the recorded value exceeds the recoverable amount, the recoverable amount is written down. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Inventories

Inventories are valued at the lowest of either acquisition value or net sales value, thus taking the risk of obsolescence into consideration. The acquisition value is calculated according to the first in, first out method (FIFO), or according to weighted average prices. For semi-manufactured and manufactured goods, the acquisition value consists of direct production costs and a reasonable proportion of indirect production costs. The normal utilization of capacity has been considered in the assessments.

Provisions

Phadia applies IAS 37, Provisions, Contingent Liabilities and Contingent Assets, which implies that whenever Phadia has a commitment (legal or informal) consequent to an occurrence in which it is likely that an outflow of resources will be required to settle the commitment and a reliable estimate of the amount can be made, a provision is established.

Reporting of pension payments and other non-stock related compensation to employees

Phadia applies IAS 19, Employee Benefits. Phadia has a number of plans for compensation upon completed employment. The plans are either defined benefit or defined contribution plans. Defined contribution plans provide benefits upon completed employment according to which the company pays determined fees to a separate legal entity and has no legal or informal commitment to pay additional fees. Defined benefit plans provide benefits upon completed employment other than defined contribution benefits.

Defined contribution benefits and other short-term compensation to employees are recorded as a cost within the period during which the employee performs the service. The so-called Projected Unit Credit method is applied to plans when calculating allocations upon completed employment and long-term compensation. The defined benefit commitments, with deduction for the actual value of plan assets and adjustments for non-recorded actuarial income for service during previous periods, are included in 'Retirement benefit obligation'. Actuarial income for pension commitments arising from experience-based adjustments and changes in actuarial commitments exceeding the highest of 10 percent of the value of plan assets and 10 percent of the benefit-based commitment, are expensed or taken up as income throughout the employees' estimated average remaining period of employment. Actuarial income from other long-term compensation is recorded immediately in the statement of operations. Costs for employment during previous periods are recorded directly in the statement of operations, if the changes in the pension plan are not conditional on the employees remaining employed during a determined period of time (earned period). In such cases, the cost for service is allocated on a straight-line basis throughout the earned period. The costs for service are recorded as personnel cost. In cases in which the recorded value of managed assets exceeds the commitments per plan, the net value is recorded as an asset.

Assessments and estimations

Reporting in accordance with IFRS requires that a number of important accounting estimations are applied. In addition, the reporting requires that the management makes certain estimations regarding the application of the company's accounting principles. Estimations and anticipations are based on historical experience and on a number of factors that, under the current conditions, seem reasonable. The result of these estimations and anticipations are then used to assess the values in the accounts of the assets and liabilities, unless their value is clearly stated by other sources. The real outcome can differ from these estimations and judgments. The areas comprising a high degree of judgment that are complex or such areas where anticipations and judgments are of great importance for the Group are stated below.

The Group tests goodwill and other intangible assets with indefinite useful lives for impairment annually. These calculations require the use of certain estimates. When calculating the recoverable amount of cash-generating units for the assessment of write-down requirements of goodwill and other intangible assets with an indefinite useful lifetime, assumptions and estimations are made regarding future conditions and parameters. The calculations of cash flows of units are affected by e.g. the assessment of commercial factors, including market growth, competitiveness, technological development, general cost development, investment levels and working capital tied up.

A certain degree of uncertainty exists with regard to capitalized product development expenses. The accounting of the capitalized product development expenses is affected by the assessments as to which portions of the product project development and when they can be expected to lead to technically successful and commercially profitable products. The estimation of future sales of products influences both the assessment of the products, as well as the point in time at which the products will be considered sufficiently profitable to balance development expenditure, as well as the need for depreciation of the capitalized product development costs. See also Note 18.

The interpretation of tax laws also involves judgments and estimations. Company management must then rely upon indications and their own judgment of complex and subjective tax issues. The conditions on which taxes have been calculated can prove to show that the requirements were not fulfilled, and an authority can interpret these laws and other laws differently from the manner in which the company interprets them. Thus, actual debited taxes can vary greatly from those that have been calculated, estimated, paid or reserved for. See also Note 16 and 35.

Deferred tax is calculated from the temporary differences existing between the tax bases and carrying amounts of assets and liabilities. In these calculations, two main types of assessment and assumption have affected the deferred tax recognized. Firstly, the assessments and assumptions made to determine the carrying amount and, secondly, the assessment regarding the ability to utilize existing tax loss carry-forwards against future tax gains. See also Note 35 for assessment of tax loss carry-forwards.

The accounting can also be significantly affected by changes in the rules and in the interpretation of the rules regarding the point in time at which sales of systems and services should be taken up as revenue. The management must estimate the risks and the benefits that can be transferred to the buyers when it comes to certain deliveries and agreements comprising future obligations for Phadia. This assessment influences the period in which the income should be reported.

The Group has defined benefit plans in Japan, Germany, the Netherlands, Belgium, Italy, France, Austria and Norway. The accounting of costs for the benefits-based pensions and other applicable pension benefits are based on actuarial calculations stemming from decisive assumptions regarding the discount rate, future salary increases, employee turnovers and mortality tables. The provisions for pensions are shown as pension commitments in the balance sheet.

Cash flow statement

The cash flow statement has been prepared using the indirect method. The reported cash flow includes only those transactions that have resulted in receipts or payments.

Changes in accounting policy and disclosure

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended IFRSs as of January 1, 2009:

- *IFRS 7 Financial instruments – Disclosures (amendment)* – effective January 1, 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.
- *IAS 1 (revised). Presentation of financial statements* – effective January 1, 2009. The revised standard prohibits the presentation of items of income and expenses (that is, non-owner changes in equity) in the statement of changes in equity, requiring non owner changes in equity to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been represented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earning per share.
- *IFRS 2 (amendment), Share-based payment* (effective January 1, 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The group has adopted IFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Group or company's financial statements.
- In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after January 1, 2009, the Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group previously recognized all borrowing costs as an expense immediately. This change in accounting policy was due to the adoption of IAS23, Borrowing costs (2007) in accordance with the transition provisions of the standard; comparative figures have not been restated. The change in accounting policy is not expected to have a material impact on the group's financial statements. The group has not capitalized borrowing.
- *IFRS 8, Operational segments*. This standard will be effective from January 1, 2009 and will apply to all financial years starting from this date. The standard considers the specification of the companies' business activities into different segments. According to the standard, companies shall identify reportable segments by using their internal reporting structure as starting point. This standard is not applicable for the Group, as the reporting structure in the Group is not according to the definition of segment reporting in IFRS 8.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

- *IAS 27 (revised) Consolidated and separate financial statements*, (effective from July 1, 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in the income statements. This standard will at present have no impact on Phadia's accounting records.
- *IFRS 3 (revised) Business combinations* (effective from July 1, 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from January 1, 2010.
- *IFRIC 17, Distribution of non-cash assets to owners (effective on or after July 1, 2009)*. The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution in their present condition and the distribution is highly probable. This interpretation is effective for annual periods beginning on or after July 1, 2009. It is not expected to have a material impact on the Group or company's financial statements.
- *IAS 38 (amendment) Intangible Assets*. The amendment is part of the IASB's annual improvements project published in April 2009 and the group and company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the group or company's financial statement.
- *IFRS 5 (amendment), Measurement of non-current assets (or disposal groups)* classified as held-for-sale. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still applies. The Group will apply IFRS 5 (amendment) from January 1, 2010. It is not expected to have a material impact on the group's financial statements.
- *IAS 1 (amendment), Presentation of financial statements*. The amendment is part of IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding

the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and company will apply IAS 1 (amendment) from January 1, 2010. It is not expected to have a material impact on the Group or company's financial statements.

- *IFRS 2 (amendments), Group cash-settled and share-based payment transactions*. In addition to incorporating IFRIC 8, Scope of IFRS 2, and IFRIC 11, IFRS 2 Group and treasury share transactions, the amendments expand on the guidance in IFRIC 11 to address the classification of Group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the group's financial statements.

None of the above standards or interpretations has been applied in preparing the annual accounts as at December 31, 2009.

The Parent Company's accounting principles

The Parent Company has prepared the financial statements in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation, RFR 2.2 "Accounting for legal entities". RFR 2.2 implies that the Parent Company, in the annual report for the legal entity, shall apply all of the IFRS and statements adopted by the EU as far as this is possible within the framework of the Swedish Annual Accounts Act and with consideration of the relation between accounting and taxation. The recommendations specify the additions and exceptions to be made to IFRS. The Parent Company's accounting principles remain the same between the years, with the exception of one change described below.

The Parent Company applies the Swedish Accounting Standards Board's recommendation R7 concerning valuation of loans in foreign currency taken with the aim of hedging the Group's operations in foreign currency. Loans in foreign currency are taken in order to create an effective hedging of the real value of the Group's operations in the same currency and are valued according to the exchange rate at the time of raising the loan.

The company accounts for Group contributions and shareholders' contributions in accordance with the Financial Accounting Standards Council's Emerging Issues Task Force, which means that shareholder contributions are accounted for directly against equity for the receiver and as an increase of the acquisition cost for the provider. Group contributions are accounted for in accordance with their financial implication, implying that Group contributions provided with the purpose of minimizing the Group's tax cost are accounted for directly against equity after deduction of the Group contribution's tax effect.

The Parent Company reports dividends from subsidiaries as income when the right to receive dividends is deemed to be certain.

Participations in subsidiaries are reported in the Parent Company's annual accounts at acquisition cost with deductions for any possible write-downs. Only those dividends received from profits accruing after the acquisition are reported as income from subsidiaries.

As there are no employees in the Parent Company, no information is provided concerning absence due to illness.

Financial instruments accounted for on the balance sheet include Accounts receivable, Accounts payable and Loans. The market value is estimated to correspond with the recorded value for all of the financial instruments.

Note 3 FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL EXPOSURES (THE GROUP)

Financial risk exposures

The operations of the Phadia Group are exposed to various types of financial exposures. Financial exposure occurs when changes in foreign exchange rates, changes in interest rate levels as well as refinancing and credit risks affect the Group's net income, cash flow and value. The overall financial policy of the Group is to follow up and manage these risks. Responsibility for the management of financial exposures is held by the CFO and the Treasury Department, which identifies, evaluates and hedges financial exposures. This is done according to the financial policy of the Group, which is updated and approved by the Board of Directors on an annual basis. This policy contains written principles covering overall risk management as well as specific areas, such as foreign exchange rate risk, interest rate risk, credit risk, financing risk, permitted financial instruments and investment of excess liquidity. The Group uses derivatives to hedge portions of these exposures in accordance with the policy. For the financial year, Phadia has decided to partially apply hedge accounting for derivatives. The objective of the Group is, when it is considered appropriate, to reduce volatility in net income and cash flows related to changes in foreign exchange rates and market interest rates.

Financing and financing risk

Financing risk is defined as the risk that a refinancing may become difficult or expensive to arrange. The Phadia Group's policy is that its fixed assets should be financed by equity as well as by medium and long-term borrowing. The Phadia Group's financing consists of a Senior Credit Facility, which amounted to MEUR 830.0 at the time of financing and amounts to MEUR 829.2 as per December 31, 2009, as well as a PIK Loan amounting to MEUR 225.9 at year end. The Senior Credit Facility consists of 4 tranches Term A-D, a MEUR 30 Revolving Credit Facility and a MEUR 25 CAPEX and Acquisition Facility. The CAPEX and Acquisition Facility expire in January 2010. As per the balance sheet date, the Term A-D Facilities have been fully utilized, while the Term E Facility is unutilized. The Revolving Credit Facility is unutilized, but is to an amount of MEUR 4.2 dedicated in favour of guarantees issued by subsidiaries and to an amount of MEUR 5.0 dedicated in favour of an overdraft facility within SEB. The Senior Credit Facility, the PIK Facility and a shareholder loan of MSEK 3,390.0 are intended to ensure the Group's long term financing needs.

Interest-bearing liabilities and fair value

	Dec 31, 2009 Book Value	Dec 31, 2009 Fair Value	Dec 31, 2008 Book Value	Dec 31, 2008 Fair Value
MSEK				
Senior Credit Facility	7,756.5	7,937.1	8,649.3	8,857.6
Shareholder Loan	3,775.7	3,390.0	3,371.1	3,025.0
PIK Loan	2,298.2	2,315.6	2,193.8	2,213.8
Total	13,830.4	13,642.7	14,214.2	14,096.4

The table shows outstanding loan balances in relation to the interest-bearing liabilities of the Group, excluding financial leasing, at year end foreign exchange rates. Fair value corresponds to the nominal amount of outstanding debt balances. Book value shows the nominal amount, including accrued interest, net after transaction costs.

Interest rate risk

Interest rate risk is defined as the risk that the value and/or cash flow related to financial instruments varies due to fluctuations in market interest rates. At the end of the financial year as per December 31, 2009, the interest-bearing liabilities in the Group amounted to MSEK 13,642.7, of which the shareholder loan totaled MSEK 3,390.0. Interest rate fixing on third party debt is variable and normally set on a monthly basis. The policy of the Group is to hedge part of future interest payments. The minimum

hedge levels should comply with the obligations in the bank agreement, and thereafter with Phadia's financial policy. As of December 31, 2009, the management of interest rate risks is merely dictated by rules and restrictions defined in the financial policy. Restrictions in relation to interest rate hedging stipulated in the bank agreement ceased to be in force during 2009.

As per December 31, 2009, future interest payments were fixed for 73.2% (52.6%) of the outstanding Senior loans, allocated 72.9% (50.1%) on EUR interest, 73.8% (54.0%) on JPY interest and 72.9% (54.4%) on USD interest.

The guiding principles stipulated in the financial policy of the Group are of key importance as regards the management of interest rate risk. Interest rate swaps are the financial instruments used in order to reduce this risk. If the interest rate level in relation to the debt had been 10 basis points higher/lower during the financial year, and on condition that the fixed interest rate obtained in the interest rate swaps is constant, the total post-tax interest expense for the financial year would have been MSEK 2.0 (3.4) higher/lower. A sensitivity analysis of contracted interest rate swaps of a +/- 10 basis point shift of the yield curve implies a positive/negative impact on net income, and equity where hedge accounting is applied, of MSEK 5.0 (11.2) at fair value.

Credit and counterparty risk

Financial transactions

Credit risk arises when the Group invests liquid funds, and in terms of counterparty risk when the Group enters into contracts for financial instruments provided by banks. The policy of the Group is to transact with banks that have a good credit rating and mainly with those that participate in the Group's medium and long-term financing. The Phadia Group has a financial policy with well-defined maximum amounts with regards to each counterparty and ensures compliance to these restrictions. Exposure to credit and counterparty risk in relation to financial instruments is monitored regularly. The Group's liquid funds are managed centrally within the Treasury Department and are invested in short-term bank deposits. As per the balance sheet date, liquid assets held within the Group amounted to MSEK 783.2 (628.1).

Commercial transactions

Credit risk also arises when there is a risk of customers not fulfilling their payment commitments to the Group. The Group manages this risk by recurring estimations of the creditworthiness of the customers. Only one customer constitutes a significant share of total sales, about 10 percent of Phadia's total sales during the financial year. However the Credit risk is insignificant as invoicing occurs regularly and the payment terms never exceed 35 days. The Accounts receivable of the Group are distributed among a number of customers with an international geographical spread and, except from the above mentioned customer, no other customer accounts for more than 5 percent of the Group's total sales.

As per December 31, 2009, there is no other significant concentration of credit risk. The reported amount of outstanding receivables corresponds to the fair value as the discounting effect is assumed to be insignificant. Note 25 provides further information.

Liquidity risk

Liquidity risk is defined as the risk of the Phadia Group not being able to fulfill its obligation to repay its liabilities in time, or at a reasonable cost. The Treasury Department is responsible for managing this risk, which is ensured by keeping sufficient liquid funds, including short term investments in a liquid market, available financing through committed credit facilities and the possibility to close financial positions. To ensure short term solvency, the Phadia Group shall maintain accessible liquidity sufficient to cover at least one month of anticipated outgoing payments. Liquidity is, in this context, defined as cash and cash investments maturing within 30 days, as well as unused committed bank account overdraft facility.

Interest-bearing financial assets

MSEK	Dec 31, 2009	Dec 31, 2009	Dec 31, 2008	Dec 31, 2008
	Book value	Fair value	Book value	Fair value
Short-term investments	697.1	697.1	489.1	489.1
Cash and bank	86.1	86.1	139.0	139.0
Cash and cash equivalents	783.2	783.2	628.1	628.1

Maturity schedule – financial liabilities (incl. future interest expenses and derivatives)

MSEK	Dec 31, 2009				Dec 31, 2008			
	< 1 year	1-5 years	> 5 years	Total	< 1 year	1-5 years	> 5 years	Total
Bank debt / shareholder loan	-368.0	-1,778.8	-20,440.4	-22,587.2	-370.6	-2,145.4	-22,751.7	-25,267.7
Derivatives, interest related	-138.0	-9.2	-	-147.2	-111.4	7.4	-	-104.0
Accounts payable	-180.8	-	-	-180.8	-118.7	-	-	-118.7
Total	-686.8	-1,788.0	-20,440.4	-22,915.2	-600.7	-2,138.0	-22,751.7	-25,490.4

The table shows future undiscounted cash flows, at year end rates, related to financial interest-bearing liabilities and the net of derivatives related to these liabilities. The variable interest rate on liabilities and interest rate swaps as per December 31, 2009 is assumed until maturity.

Maturity schedule – derivatives, foreign exchange related

MSEK	Dec 31, 2009			Dec 31, 2008		
	< 1 year	1-5 years	> 5 years	< 1 year	1-5 years	> 5 years
Foreign exchange forwards, hedging of transaction exposure						
Outflow	-504.4	-389.7	-	-477.8	-91.8	-
Inflow	544.5	395.6	-	412.4	86.1	-
Foreign exchange forwards / foreign exchange swaps, hedging of financial cash flows						
Outflow	-232.8	-	-	-112.5	-	-
Inflow	232.0	-	-	114.7	-	-
Net flow	39.3	5.9	-	-63.2	-5.7	-

The table shows the aggregated gross value of foreign exchange forwards and foreign exchange swaps, at year end rates, divided into inflow and outflow as well as maturity period.

Foreign exchange exposure

The Phadia Group is exposed to fluctuations in the foreign currency exchange market, mainly in relation to EUR, JPY and USD. Foreign exchange exposure is the risk that foreign exchange fluctuations will have a negative impact on the consolidated income statement, balance sheet and/or cash flow. Foreign exchange exposures include transaction exposure, translation exposure as well as financial exposure. The Group's main objectives for managing foreign exchange exposures are to protect the economic value of the Phadia Group from currency fluctuations, to hedge part of the foreign exchange exposure in the Group's net investments in foreign operations, and to partially hedge future foreign currency cash flows.

If the SEK had been 10 percent weaker/stronger versus the EUR, JPY and USD on the balance sheet date, December 31, 2009, the net income, pre tax, for the year would have been affected negatively/positively to an amount of MSEK 1,114.7 (1,164.0), of which MSEK +/- 617.8 (606.8) in EUR, MSEK +/- 271.3 (325.0) in JPY and MSEK +/- 225.6 (232.2) in USD. This foreign exchange effect consists of MSEK +/- 1,025.3 (1,107.3) from foreign currency translation of bank debt affecting the income statement, and equity for parts where hedge accounting is applied, MSEK +/- 89.4 (57.0) from derivatives designated to hedge commercial cash flows, MSEK +/- 0.0 (0.0) from derivatives designated to hedge financing of subsidiaries and +/- 0.0 (+/- 0.3) from derivatives designated to hedge future interest payments. A corresponding sensitivity analysis for cash and cash equivalents, as per December 31, 2009, affects the net income positively/negatively with an additional MSEK 73.3 (60.4).

Transaction exposure

Transaction exposure arises in terms of cash flows from sales in foreign currency in combination with operational expenses in SEK. The policy of the Group is to hedge part of the transaction exposure for a maximum duration of two years. Foreign currency hedging is managed according to the financial policy of the Group, which stipulates the following hedge levels including the natural hedge provided by interest and repayments related to bank debt:

Average Net Exposure	Hedge Level
1-12 months (rolling)	40% - 80%
12-24 months (rolling)	40% - 60%

Approximately 99 percent of Phadia's sales take place in countries other than Sweden, of which EUR, JPY and USD account for approximately 80 percent. Production is primarily located in Sweden, but also in Germany and Austria.

In order to reduce the positive exposure in EUR, JPY and USD, the financing of the Phadia Group has been denominated in these currencies. Interest payments and repayments in EUR, JPY and USD have thereby been created to partly offset the commercial incoming cash flows in these currencies. The remaining net exposure has been partially hedged by foreign exchange forward contracts. The total nominal amount of such forward contracts at the end of the financial year was MSEK 894.1 (569.6), of which MSEK 572.1 (342.4) in EUR contracts, MSEK 0.0 (57.7) in JPY contracts and MSEK 322.0 (169.5) in USD contracts. A valuation at fair value gives an unrealized gain of MSEK 47.4 (-69.0), of which 19.7 (-36.7) in EUR, 0.0 (-14.0) in JPY and 27.7 (-18.3) in USD.

Translation exposure in the income statement and balance sheet and hedging of net assets

Fluctuations in foreign exchange currency rates affect the income statement and the balance sheet of the Group as the financial statements of subsidiaries are consolidated into SEK. As a result from consolidating the balance sheets of foreign subsidiaries, total equity was affected by -63.4 (114.5) MSEK.

According to the financial policy of Phadia, net investments in foreign operations may be hedged. At the end of the financial year, equity in USD, JPY and EUR in foreign subsidiaries was partially hedged by third party debt in the respective currencies. As per December 31, 2009, a total of 65.4 percent (73.0) of the net assets in these currencies were hedged. Hedge accounting is applied for hedging net investments in foreign operations. No inefficiency exists in this type of hedging.

Translation exposure

Foreign net assets are divided in the following currencies:

Currency	Net assets (MSEK)		Percentage	
	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008
EUR	426.4	384.2	65.6%	67.9%
JPY	113.9	118.4	17.5%	20.9%
USD	42.7	47.5	6.6%	8.4%
Other	66.6	15.8	10.3%	2.8%
Total	649.6	565.9	100.0%	100.0%

Derivative instruments

Derivative instruments are used to hedge a portion of the Group's financial exposures against fluctuations in foreign exchange rates and interest rates in accordance with the financial policy of the Group. Interest rate swaps are used to obtain desired interest terms and interest rates in relation to the Group's financing. At the end of the financial year, the nominal amount of outstanding interest rate swaps was MSEK 13,658.2 (15,186.9). The market value of these swaps was MSEK -91.2 (-160.5), of which MSEK -47.7 (-62.7) in EUR swaps, MSEK -6.8 (-13.6) in JPY swaps and MSEK -36.7 (-84.2) in USD swaps.

Foreign exchange swaps are primarily used to hedge financing in various currencies. As per December 31, 2009, the nominal value of these contracts amounted to MSEK 232.0 (114.7). The unrealized gain on foreign exchange swaps was MSEK -0.8 (2.4) at fair value.

Foreign exchange forward contracts are primarily used to hedge transaction exposure. The nominal amount of such contracts totaled MSEK 894.1 (569.6) per the end of the financial year. The unrealized result on the foreign forward contracts was a gain of MSEK 47.4 (-69.0) at fair value.

Type of derivatives – based on observable data

	Dec 31, 2009			Dec 31, 2008		
	Nominal Amount	Fair Value Positive Value	Negative Value	Nominal Amount	Fair Value Positive Value	Negative Value
MSEK						
Foreign exchange forward contracts	894.1	52.8	-5.4	569.6	0.2	-69.2
Foreign exchange swaps	232.0	0.9	-1.7	114.7	3.2	-0.8
Interest rate swaps	13,658.2	0.9	-92.1	15,186.9	1.1	-161.6
Whereof equity		-	-86.7		-	-129.8
Whereof income statement		0.9	-5.4		1.1	-31.8
Total	14,784.3	54.6	-99.2	15,871.2	4.5	-231.6

Nominal amounts in the table show the base currency gross amounts related to foreign exchange forward contracts and foreign exchange swaps at year end rates.

Managing capital risk

Regarding capital structure, the aim of the Group is to ensure, with safe head room, the ability of the Group to meet the covenant obligations agreed upon in the Senior Credit Facilities Agreement with The Royal Bank of Scotland. This agreement was signed January 16, 2007 and amended March 9, 2007. The covenant ratios measured and distributed to The Royal Bank of Scotland on a quarterly basis are net debt/EBITDA, EBITDA/net interest and operating cash flow/debt service. Phadia is in compliance with all of the above mentioned covenant ratios. Besides from these, the maximum amount of permitted CAPEX during the year is regulated. The CAPEX covenant is calculated and provided to The Royal Bank of Scotland on a yearly basis.

Financing and capital structure

MSEK	Dec 31, 2009	Dec 31, 2008
Senior Credit Facility (Note 28)	7,937.1	8,857.6
PIK Loan (Note 28)	2,315.6	2,213.8
Total Bank Debt	10,252.7	11,071.4
Shareholder Loan (Note 28)	3,390.0	3,025.0
Total Long Term Debt	13,642.7	14,096.4
Cash and cash equivalents (see above)	-783.2	-628.1
Net Debt	12,859.5	13,468.3
Total Equity	-1,004.8	-1,899.5

Note 4 SEGMENT REPORTING

Information on geographical areas is presented in the following table:

MSEK	External income		Capital expenditure	
	2009	2008	2009	2008
Europe	1,823.4	1,588.2	217.2	163.1
Japan	641.1	489.7	7.6	0.8
USA	715.9	516.1	26.7	10.0
International	270.2	201.6	12.4	5.0
Total	3,450.6	2,795.6	263.9	178.9

Europe includes: Sweden, Norway, Finland, Denmark, Germany, Austria, the Netherlands, Belgium, Switzerland, Ireland and Great Britain, France, Italy, Portugal and Spain.

International includes: Taiwan, Brazil, South Africa, South Korea, the Czech Republic and markets in which sales take place through distributors.

Note 5 NET SALES

MSEK	Group	
	2009	2008
Sales of goods	3,392.0	2,728.9
Service income	51.8	61.1
Instrument rental	6.8	5.6
Net sales	3,450.6	2,795.6

Note 6 EXCHANGE RATE DIFFERENCES IN THE INCOME STATEMENT - NET

MSEK	Group		Parent Company	
	2009	2008	2009	2008
Exchange rate differences in operating income	-17.8	76.0	-	-
Exchange rate differences (Note 14)	810.3	-2,077.1	0.1	-0.1
Financial exchange rate differences (Note 15)	-52.1	127.5	0.1	-9.8
Total	740.4	-1,873.6	0.2	-9.9

Note 7 PERSONNEL

Salaries, other remuneration and social security contributions

MSEK	2009		2008	
	Salaries and other remunerations	Social security contributions	Salaries and other remunerations	Social security contributions
Parent Company	-	-	-	-
Subsidiaries	862.8	306.3	681.7	227.7
Group total	862.8	306.3	681.7	227.7
<i>Of which pension costs</i>		<i>(80.0)</i>		<i>(58.7)</i>

Of the group's pension costs, MSEK 7.9 (4.4) refer to the Board and the Presidents.

Average number of employees

	2009		2008	
	Number	Of which men	Number	Of which men
Parent Company	-	-	-	-
Subsidiaries in Sweden	505	46%	499	46%
Subsidiaries abroad				
Belgium	16	88%	15	87%
Brazil	12	42%	11	36%
Denmark	9	33%	9	33%
Finland	4	75%	3	100%
France	35	60%	35	63%
Ireland	1	100%	1	100%
Italy	42	55%	42	52%
Japan	61	70%	79	73%
The Netherlands	14	57%	14	57%
Norway	6	33%	6	33%
Portugal	15	53%	14	49%
Switzerland	10	60%	11	55%
Spain	44	43%	41	41%
Great Britain	17	65%	14	64%
South Africa	17	41%	18	39%
South Korea	10	60%	9	67%
Taiwan	18	61%	18	61%
Czech Republic	2	50%	-	-
Germany	164	43%	157	45%
USA	291	54%	241	59%
Austria	25	62%	12	42%
Total, subsidiaries	1,318	50%	1,249	52%
Group total	1,318	50%	1,249	52%

Salaries and other remuneration specified per country; Board Members, president and other personnel

MSEK	2009		2008	
	Board and president	Other employees	Board and president	Other employees
Parent Company	-	-	-	-
Subsidiaries in Sweden	11.3	259.3	8.0	222.5
Subsidiaries abroad				
Belgium		19.3		12.7
Brazil		6.1		4.8
Denmark		6.8		5.6
Finland		3.3		2.5
France		19.5		16.5
Ireland		0.8		1.1
Italy		25.1		21.6
Japan		49.9		46.2
The Netherlands		8.8		7.7
Norway		3.6		3.0
Portugal		9.4		7.9
Switzerland		8.4		6.8
Spain		33.8		27.0
Great Britain		8.9		7.1
South Africa		5.2		3.6
South Korea		4.3		3.1
Taiwan		4.3		3.7
Czech Republic		1.0		-
Germany		115.7		99.3
USA		246.8		163.6
Austria		11.2		7.4
Total, subsidiaries	11.3	851.5	8.0	673.7
Group total	11.3	851.5	8.0	673.7

At the end of the year the total number of employees was 1,351 (1,266). 50 (52) percent of the average number of employees were men.

Members of the Board and senior management

	Dec 31, 2009		Dec 31, 2008	
	Number	Of which men	Number	Of which men
Group (incl. subsidiaries)				
Members of the Board	25	96%	21	95%
CEO and other senior management	30	90%	22	91%
Parent Company				
Members of the Board	4	100%	2	100%
CEO and other senior management	1	100%	1	100%

Note 8 REMUNERATION TO SENIOR MANAGEMENT

Principles

Fees are paid to the Chairman of the Board and the Board Members according to a resolution adopted at the general meeting of shareholders. No special fees are paid for committee work. Board Members drawing salaries from companies in the Group do not receive any board fees. The management personnel within the Group is comprised of CEO Magnus Lundberg, CFO Anders Lundmark, Executive VP Allergy Laboratory Unit Peter Silfwerbrand, Executive VP New Enterprise Unit Håkan Englund, Executive VP Strategic Marketing and Corporate Communication Jean Forcione and Executive VP Human Resources Ulrika Svensson.

Remuneration to these members of senior management is comprised of a fixed salary portion and a variable salary portion.

The variable salary portion, in the form of an annual bonus, is individual and is paid as a percentage of the annual salary. The calculated variable salary portion is based on the December salary during the year in which the bonus is earned. The target percentage varies by individual, but is no more than 50 percent and no less than 30 percent of the annual salary. The payment can vary depending on the fulfillment of the target. The average bonus payment for 2009 was 97 percent of the target bonus. The issuing of a bonus is dependent on the fulfillment of financial goals regarding growth, cash flow and profitability, and the fulfillment of personally established goals for each individual. The management group's pensions are defined contribution plans and are individually agreed upon.

Members of senior management have a 6 month mutual period of notice of termination of employment in their individual agreements. If the company gives notice to the employee, severance pay equivalent to 12 monthly salaries, including target bonus, applies. From the time at which the member of management turns 55, an additional 6 month salary is paid, calculated in the same manner. The management member cannot trigger severance payout by him/herself, in accordance with the above statement.

Remuneration and other benefits during the year

The Remuneration Committee establishes remuneration conditions for the Group's management.

The bonuses for 2009 were paid out during 2010.

The Board of Directors

Remuneration to the Board has been paid to a total amount of MSEK 5.3 (4.9) in the form of management fees and MSEK 1.6 (1.3) in other board fees.

CEO

The CEO has received basic salary and other benefits of MSEK 3.9 (3.8). Variable remuneration has additionally been paid to the amount of MSEK 3.8 (1.2). Pension costs have been paid totaling MSEK 3.5 (2.4).

Other senior management

Other members of senior management have received basic salaries totaling MSEK 8.6 (5.5). Variable remuneration has additionally been paid to the amount of MSEK 7.3 (3.1). Pension costs have been paid totaling MSEK 4.1 (2.0).

Note 9 REMUNERATION TO THE AUDITORS

MSEK	Group	
	2009	2008
Ohrlings PricewaterhouseCoopers		
Audit assignment	4.4	4.3
Other assignment	1.5	1.8
Other auditing firms		
Audit assignment	1.0	0.3
Remuneration to the auditors, total	6.9	6.4

Note 10 AMORTIZATION, DEPRECIATION AND WRITE-DOWNS OF INTANGIBLE AND TANGIBLE FIXED ASSETS

Amortization, depreciation and write-downs divided per function:

MSEK	Group	
	2009	2008
Intangible fixed assets		
Cost of goods sold	-1.5	-1.0
Selling expenses	-1.7	-4.5
Administrative expenses	-8.2	-7.4
Research and development costs	-8.3	-6.6
	-19.7	-19.5
Tangible fixed assets		
Cost of goods sold	-32.7	-34.2
Selling expenses	-109.0	-94.8
Administrative expenses	-24.0	-27.1
Research and development costs	-7.0	-7.3
	-172.7	-163.4
Amortization, depreciation and write-downs, total	-192.4	-182.9

Note 11 OTHER OPERATING INCOME

MSEK	Group	
	2009	2008
Contribution received	2.1	5.0
Remuneration for marketing activities	49.5	36.5
Rental income	0.9	0.9
Gains on sale of tangible assets	2.3	1.2
Interest income from Accounts receivable	7.3	1.2
Other operating income	4.6	2.0
Other operating income, total	66.7	46.8

Note 12 OTHER OPERATING EXPENSES

MSEK	Group	
	2009	2008
Discounts	-2.1	-0.7
Other operating expenses	-1.7	-0.7
Other operating expenses, total	-3.8	-1.4

Note 13 FINANCIAL INCOME

MSEK	Group		Parent Company	
	2009	2008	2009	2008
Interest income	6.9	18.7	-	-
Change in value, foreign exchange derivatives	0.1	-1.4	-	-9.7
Finance income, total	7.0	17.3	-	-9.7

Note 14 FINANCIAL COSTS

MSEK	Group		Parent Company	
	2009	2008	2009	2008
Interest expense	-1,037.5	-1,040.0	-639.6	-620.0
Change in value, interest rate derivatives	26.2	-25.3	-	-
Change in value, foreign exchange derivatives	56.4	-105.6	-	-
Foreign exchange differences, interest-bearing liabilities	810.3	-2,077.0	0.1	0.1
Financing costs	-35.7	-33.0	-3.3	-3.5
Write-down (Note 23)	-38.9	-	-	-
Other financial expenses	-2.0	-3.1	-	-
Financial costs, total	-221.2	-3,284.0	-642.8	-623.6

Financial costs applying to the financial year 2009 include results from outstanding forward exchange agreements for hedging of expected future cash flows. The previous financial year the corresponding items were reported as Other operating income/Other operating expenses. It is considered to be most correct to recognize the results from forward exchange agreements as Financial costs, as activities related to hedging are a part of the Group's financial operations, and as the expected cash flows that are hedged constitute a net of operative and financial cash flows in the respective currency.

Note 15 FINANCIAL EXCHANGE RATE DIFFERENCES

MSEK	Group		Parent Company	
	2009	2008	2009	2008
Foreign exchange losses	-255.6	-213.1	0.1	-0.1
Foreign exchange gains	203.5	340.6	-	-9.7
Financial exchange rate differences, total	-52.1	127.5	0.1	-9.8

Note 16 INCOME TAX

Tax on income is comprised of current tax and deferred tax. The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the parent company and its subsidiaries operate and generate taxable income. Deferred tax arises on temporary differences between the tax bases and liabilities and their carrying amounts in the consolidated financial statement. Deferred tax is also recognized for tax loss carry-forwards. Deferred tax receivables are recognized to the extent that the realization of the related tax benefit through the future taxable profits is probable in the foreseeable future.

MSEK	Group		Parent Company	
	2009	2008	2009	2008
Current tax, Sweden	-1.3	-0.4	161.0	211.4
Current tax, other countries	-50.7	-31.9	-	-
Current tax, total	-52.0	-32.3	161.0	211.4
Deferred tax, Sweden	19.8	149.5	8.1	-37.0
Deferred tax, other countries	-6.4	-2.7	-	-
Deferred tax, total	13.4	146.8	8.1	-37.0
Tax on income for the year, total	-38.6	114.5	169.1	174.4

Relationship between tax expenses for the year and reported income before tax

MSEK	Group		Parent Company	
	2009	2008	2009	2008
Reported income before tax	898.0	-2,272.6	-642.8	-633.3
Tax according to the current tax rate 26.3% (28.0%)	-236.2	636.3	169.1	177.3
Tax effect of expenses which are not tax deductible	-37.3	-593.3	-	-
Tax effect of non-taxable income	226.7	0.3	-	-
Adjustment for foreign tax rates	7.3	-3.2	-	-
Losses in Group companies in which no deferred recoverable income tax has been accounted for	-	-3.1	-	-
Utilization of previously unrecognized tax losses	-	-	-	-1.7
Effect of changed tax rate	-	77.3	-	-1.2
Adjustment of previous years' tax	0.9	0.2	-	-
Tax on income for the year according to the income statement	-38.6	114.5	169.1	174.4

Temporary differences

MSEK	Group		Parent Company	
	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008
Deferred income tax assets				
Intra-Group profit in inventory	40.6	42.0	-	-
Deferred tax on financial instruments	18.5	28.9	-	-
Tax loss carry-forwards	202.5	133.1	26.7	18.6
Other temporary differences	46.6	33.0	-	-
Total deferred income tax assets	308.2	237.0	26.7	18.6
Deferred income tax liabilities				
Untaxed reserves in Swedish Group companies	-42.6	-38.8	-	-
Deferred tax liability attributable to acquired intangible assets January 18, 2007	-1,452.2	-1,449.6	-	-
Other temporary differences	-55.3	37.0	-	-
Deferred tax liabilities, total	-1,550.1	-1,451.4	-	-
Deferred income tax assets/ liabilities (net)	-1,241.9	-1,214.4	26.7	18.6

Movement in deferred income tax assets and liabilities during the year

MSEK	Group		Parent Company	
	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008
Opening balance	-1,214.4	-1,438.4	18.6	55.6
Exchange differences	-1.0	5.7	-	-
Value arising from company acquisition	-4.9	-	-	-
Charged / (credited) to the income statement	13.4	146.8	8.1	-37.0
Charged directly to equity	-35.0	71.5	-	-
Deferred income tax assets/ liabilities (net)	-1,241.9	-1,214.4	26.7	18.6

Tax rate

The current tax rate is the tax rate for income tax in Sweden, currently 26.3 (28.0) percent.

The weighted average applicable tax rate was 26.9 (27.8) percent.

Tax charged directly to equity

Tax recognized in equity appears in the statement Changes in Equity, Consolidated Accounts.

Note 17 GOODWILL

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Opening balance, acquisition value	5,937.6	5,908.6
Investments	133.0	9.7
Sales and disposals	-0.9	-
Translation differences for the year	-14.9	19.3
Closing net book amount	6,054.8	5,937.6

The goodwill value arose from the acquisition of the Phadia Group's Parent Company Sweden Dia (Sweden) on January 18, 2007. At acquisition of the Phadia Group, good expansion possibilities on several markets, North America among others, constituted a significant factor during valuation. This expansion potential is responsible for a significant portion of the acquisition value and is equivalent to goodwill in the report. At the acquisition date the acquirer did not have any cash-generating units and allocation of goodwill has therefore not been possible. This year's investment applies to the acquisition of the remaining shares of Phadia Multiplexing Diagnostics GmbH (the former associate VBC Genomics Bioscience Research GmbH).

Impairment testing of goodwill

Impairment testing of goodwill arising from acquisitions of subsidiaries takes place annually or if there are indications of a write-down requirement. Goodwill shall be specified according to identifiable cash-generating units. Phadia has only one area of operations fulfilling the requirements for a separate segment and thereby one cash-generating unit.

The utility value was calculated based on the forecast for the year and the next year's budget and for the following three-five years the established strategic financial long-term plans. These documents constituted the company's best estimate of the prognosis period and included current prices, costs, exchange rates, inflation and assumed productivity development. The supporting documents were established through a decentralized process involving market and production units, and comprise sales, costs, net working capital and the need for investments.

During assessment, future cash flows for the time beyond the strategic financial long-term plan have been calculated based on the last year, with gradually decreasing growth assumptions down to a long-term sustainable level from year 9. Increased costs have been assessed to the lowest assumed inflation level. The assumptions of maximum EBITDA-level, net working capital and investments, are based on the long-range plan. At the present value computation of the cash flows, 2009, the current weighted average cost of capital (WACC), calculated to 8.4 percent (9.1 percent), was used. The required return on equity is calculated according to the Capital Asset Pricing Model and the cost of loaned capital is based on Phadia's current loan cost.

Discounted cash flows are compared with the book value of capital employed. Capital employed includes all operating assets, operating liabilities and goodwill. If the value of capital employed exceeds the discounted cash flow, it is an indication for a requirement of write-downs.

Note 18 OTHER INTANGIBLE ASSETS

The intangible fixed assets recorded on the Group's balance sheet consist of acquired and internally produced capitalized product development expenses as well as other acquired intangible fixed assets, such as IT applications, technical know-how, licenses, trademarks and other rights.

In connection with the acquisition of Phadia Multiplexing Diagnostics GmbH (the former associate VBC Genomics Bioscience Research GmbH) on July 1, 2009, immaterial assets valued to a total of MSEK 74.7 were identified. The ISAC trademark, in the acquisition analysis valued to MSEK 23.5, was already established on the market at the time of Phadia's acquisition and enjoyed a good reputation among industry opinion leaders. The use of this protected trademark enables Phadia to market the products clearly distinguished from the products of other companies. The trademark thus represents a future cash flow. In connection with the acquisition technology was valued to MSEK 51.2, applying to the ISAC technology, which is a recognized technology for production and use of very small

amounts of substances for measurement of sensitization to specific proteins. The technology is based on own know-how and represents a future cash-flow. The ISAC technology is amortized during its period of use, which is estimated to amount to 6.5 years.

In connection with the acquisition of the Phadia Group on January 18, 2007 intangible assets amounting to MSEK 5,550.3 were identified. The net book value as per December 2009, including impairment, amounted to MSEK 5,504.8 (5,504.8) and comprises core technology and trademarks. Both the acquired core technology and the trademarks have been classified as having indefinite useful economic life.

Phadia's strong market position is mainly based on the deep and broad knowledge of the substances used to aid the diagnosis of allergies and autoimmune diseases. This knowledge is represented by the item Core technology. The customers' need for comprehensive diagnostics products cannot be met by any alternative supplier. This implies that the core technology is essential for Phadia's creation of value. The core technology has been built up during several years and there is no indication of it being replaced by alternative, new knowledge. The lifespan is therefore impossible to predict. In the final determined acquisition analysis the value of the acquired software technology is included as a part of the acquired core technology. The period of use for the trade marks and the core technology is therefore indefinite.

Impairment testing of core technology and trademarks

Impairment testing takes place annually (or if there are indications of a write-down requirement) based on value-in-use calculations. Trademarks and core technology in the autoimmunity area are calculated according to the Relief from royalty method, and core technology in the allergy area is assessed according to the Multi-period excess earnings-method.

The cash flow from the core technology in the allergy area is calculated based on relevant revenues and EBITDA-margins the year before the first forecasted year. The revenue is estimated to have a yearly increase in line with a long-term sustainable growth rate. The cash flows relevant for valuation were calculated by charging appropriate costs to the revenues by Contributory asset charges.

The cash flow from the core technology in the autoimmunity area is based on a market adapted royalty level and on relevant revenues for the year before the first forecast year. The revenues are increased yearly with a gradual sustainable growth rate.

The cash flow from the trademarks and the ISAC technology are based on a market adapted royalty level and on relevant revenues in the forecast for the current year, in the budget for following year and in the long-range plan for the three-five following years. These documents constitute the Group's best basis for the assessment of the forecast period and comprise current prices, costs, exchange rates, inflation and an assumption of productivity development. The supporting documents were established through a decentralized process involving market and production units, and comprise revenues, costs, net working capital and necessary investments. The revenues beyond the long-range plan have been based on the last year in the plan, with gradually decreasing growth assumptions, down to a long-term sustainable level from year 9.

At the present value computation of the cash flows, the current weighted average cost of capital (WACC) was used. In the fair value calculation 2009, the used WACC was calculated to be 8.4 percent (9.1 percent). The required return on equity is calculated according to the Capital Asset Pricing Model and the cost of loaned capital is based on Phadia's current loan cost.

The discounted cash flows are compared with the book values of the intangible assets. There is a demand for write-down if the book value exceeds the discounted cash flow.

Core technology		
MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Opening balance, acquisition value	5,361.6	5,361.6
Acquisition of subsidiary	51.2	-
Closing balance, accumulated acquisition value	5,412.8	5,361.6
Opening balance, accumulated amortizations	-	-
Amortization for the year	-3.9	-
Closing balance, accumulated amortization value	-3.9	-
Opening balance, accumulated write-downs	-37.3	-37.3
Write-downs for the year	-	-
Closing balance, accumulated write-downs	-37.3	-37.3
Closing net book amount	5,371.6	5,324.3

Trademarks		
MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Opening balance, acquisition value	186.8	186.8
Acquisition of subsidiary	23.5	-
Closing balance, accumulated acquisition value	210.3	186.8
Opening balance, accumulated write-downs	-6.3	-6.3
Write-downs for the year	-	-
Closing balance, accumulated write-downs	-6.3	-6.3
Closing net book amount	204.0	180.5

Expenses for research and development are divided into expenses for a research phase, which are written off directly, and expenses for a development phase. The expenses for the development phase are accounted for as an intangible asset. The point in time for the transition from one phase to the other depends on when the possibilities of commercialization can be determined with sufficient accuracy. The determination is done based on technical, financial and commercial conditions. These intangible assets are amortized during the assets' useful lives, which have been estimated to five years. Closing book value of internally generated development expenses amount to MSEK 33.2 (7.8).

Capitalized product development expenses

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Opening balance	8.5	9.5
Investments	21.2	6.1
Reclassifications	1.7	-7.1
Translation difference for the year	-0.2	-
Closing net book amount	31.2	8.5

IT applications

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Opening balance acquisition value	89.5	79.6
Investments	0.8	1.7
Sales and disposals	-0.3	-
Reclassifications	0.3	5.1
Translation difference for the year	-1.0	3.1
Closing balance, accumulated acquisition value	89.3	89.5
Opening balance accumulated amortizations	-71.7	-59.8
Amortization for the year	-6.6	-9.0
Sales and disposals	0.3	-
Translation difference for the year	1.0	-2.9
Closing balance, accumulated amortization	-77.0	-71.7
Opening balance, write-downs	-0.9	-0.9
Closing balance, accumulated write-downs	-0.9	-0.9
Closing net book amount	11.4	16.9

Licenses and similar rights

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Opening balance, accumulated acquisition value	22.7	21.2
Investments	2.7	1.1
Reclassifications	-2.3	2.1
Acquisition of subsidiary	17.1	-
Sales and disposals	-	-1.9
Translation difference for the year	-1.2	0.2
Closing balance, accumulated acquisition value	39.0	22.7
Opening balance, accumulated amortizations	-8.2	-4.3
Amortization for the year	-4.1	-3.6
Reclassifications	-	-0.1
Translation difference for the year	0.2	-0.2
Closing balance, accumulated amortization	-12.1	-8.2
Closing net book amount	26.9	14.5

Other intangible assets

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Opening balance, accumulated acquisition value	41.2	37.6
Investments	28.6	-
Translation difference for the year	-1.6	3.6
Closing accumulated acquisition value	68.2	41.2
Opening balance, accumulated amortizations	-18.9	-12.3
Amortization for the year	-5.2	-4.9
Translation difference for the year	0.9	-1.7
Closing balance, accumulated amortization	-23.2	-18.9
Closing net book amount	45.0	22.3

Note 19 INVESTMENTS IN ASSOCIATES

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Opening balance	48.3	47.8
Investments	-	0.5
Share in profit after tax	0.4	-
Value arising from company acquisition (Note 34)	-48.7	-
Closing balance	-	48.3

In December 2007 24.9 percent of the shares in VBC Genomics Bioscience Research GmbH (now Phadia Multiplexing Diagnostics GmbH) were acquired, which was an unlisted company. The acquisition included both shares and options. On July 1, 2009 the options were exercised and the remaining shares of the company were acquired.

Note 20 PROPERTY, PLANT AND EQUIPMENT

Buildings, land and land improvements

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Opening balance, acquisition value	312.2	308.1
Investments	0.4	1.1
Translation difference for the year	-1.4	3.0
Closing balance, accumulated acquisition value	311.2	312.2
Opening balance, accumulated depreciation	-63.2	-51.2
Depreciation for the year	-11.8	-11.7
Translation difference for the year	0.2	-0.3
Closing balance, accumulated depreciation	-74.8	-63.2
Closing net book amount	236.4	249.0

The tax value of buildings and land in Sweden amounts to MSEK 184.3 (184.3). The carrying amount at year-end for the buildings and land in Sweden which have been assigned a taxable value amount to MSEK 217.7 (228.4).

Plant and machinery

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Opening balance, acquisition value	386.1	362.9
Investments	13.7	12.6
Acquisition of subsidiary	2.1	-
Sales and disposals	-2.8	-1.3
Reclassifications	5.1	9.7
Translation difference for the year	-1.2	2.2
Closing balance, accumulated acquisition value	403.0	386.1
Opening balance, accumulated depreciation	-279.1	-251.9
Depreciation for the year	-25.2	-26.7
Sales and disposals	2.7	0.9
Translation difference for the year	0.7	-1.4
Closing balance, accumulated depreciation	-300.9	-279.1
Opening balance, accumulated write-downs	-18.4	-18.4
Closing balance, accumulated write-downs	-18.4	-18.4
Closing net book amount	83.7	88.6

Equipment, tools, fixtures and fittings

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Opening balance, acquisition value	1,062.8	867.5
Investments	145.2	97.6
Acquisition of subsidiary	0.4	-
Sales and disposals	-34.6	-14.6
Reclassifications	20.9	0.9
Translation difference for the year	-49.3	111.4
Closing balance, accumulated acquisition value	1,145.4	1,062.8
Opening balance, accumulated depreciation	-665.0	-486.4
Depreciation for the year	-135.7	-124.9
Sales and disposals	30.9	13.3
Reclassifications	-9.4	2.2
Translation difference for the year	31.8	-69.2
Closing balance, accumulated depreciation	-747.4	-665.0
Closing net book amount	398.0	397.8

Constructions in progress and advance payments regarding tangible fixed assets

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Opening balance	82.2	34.2
Investments	51.4	59.2
Sales and disposals	0.4	-
Reclassifications	-16.6	-12.4
Translation difference for the year	-0.9	1.2
Closing balance, accumulated acquisition value	116.5	82.2
Closing net book amount	116.5	82.2

Note 21 OPERATIONAL LEASE AGREEMENTS

During the year, paid leasing expenses regarding operational lease agreements amounted to MSEK 55.0 (45.7) for the Group, and to MSEK - (-) for the Parent Company. The majority of operational lease agreements refer to rental agreements for premises. The total amount, as per balance sheet date, of future minimum lease expenditures regarding non-terminable operational leasing agreements, allocated per due date, is as follows:

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Falls due for payment within 1 year	49.4	39.3
Falls due for payment within 2 years	31.7	31.7
Falls due for payment within 3 years	19.9	17.7
Falls due for payment within 4 years	15.4	15.5
Falls due for payment within 5 years or later	32.2	44.7
Total	148.6	148.9

Note 22 PARTICIPATION IN GROUP COMPANIES

CB Diagnostics Holding AB owns a subsidiary through direct holding, CB Diagnostics AB. All subsidiaries in the Group are wholly-owned subsidiaries. The book value and acquisition value of the CB Diagnostics AB shares as per December 31, 2009 amounts to MSEK 5,054.8 (5,054.8). The share of equity amounts to 100 percent (voting power 100 percent) in the subsidiary CB Diagnostics AB.

Parent Company's holdings	Currency	Number of shares	Corporate identity number	Registered office
<i>Direct holdings:</i>				
CB Diagnostics AB	SEK	100,000	556712-9316	Uppsala, Sweden
<i>Indirect holdings:</i>				
Sweden DIA (Sweden) AB	SEK	127,226	556613-7682	Uppsala, Sweden
Phadia Sweden AB	SEK	100,000	556613-7708	Uppsala, Sweden
Phadia Holding AB	SEK	1,000	556653-9796	Uppsala, Sweden
Phadia AB	SEK	400,000	556041-3204	Uppsala, Sweden
Phadia Real Property AB	SEK	1,000	556619-6803	Uppsala, Sweden
Phadia Austria GmbH	EUR	500	246158	Vienna, Austria
Phadia NV/SA	EUR	61,500	864140039	Brussels, Belgium
Phadia Diagnósticos Ltda.	BRL	-	104.930.429/0001-39	São Paulo, Brazil
Phadia ApS	DKK	125	27640745	Copenhagen, Denmark
Phadia OY	EUR	732	1749528-1	Vanda, Finland
Phadia SAS	EUR	2,927,000	45 2809 395	Paris, France
Phadia S.r.l.	EUR	-	04338170964	Milano, Italy
Phadia B.V.	EUR	18,001	30195038	Nieuwegein, The Netherlands
Phadia Sociedade Unipessoal Lda.	EUR	-	506916243	Porto Salvo, Portugal
Phadia GmbH	EUR	-	HRB 7293	Freiburg, Germany
Phadia K.K.	JPY	353	0111-01-036928	Tokyo, Japan
Phadia AS	NOK	1	986581405	Oslo, Norway
Phadia Spain S.L.	EUR	14,344	B62014485	Sant Cugat de Vallés, Spain
Phadia AG	CHF	100	CH-020.3.027.684-0	Steinhausen, Switzerland
Phadia Taiwan Inc.	TWD	1,050,000	80695185	Taipei, Taiwan
Phadia Ltd.	GBP	194,947	5018976	London, UK
Phadia US Inc.	USD	100	90-0147711	(Kalamazoo) Portage Mi, USA
Laboratory Specialties (Pty) Ltd	ZAR	1,000	2006/011815/07	Houghton, South Africa
Allergon AB	SEK	1,000	556089-9899	Angelholm, Sweden
MIAB Mälarinvest AB	SEK	1,350	556252-3711	Uppsala, Sweden
Phadia Korea Co., Ltd.	KRW	100,000	110111-3825019	Seoul, South Korea
VBC Genomics Bioscience Research GmbH	EUR	-	180054k	Vienna, Austria
Phadia s.r.o.	CZK	-	28538153	Prague, Czech Republic

Note 23 OTHER FINANCIAL FIXED ASSETS

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Opening balance, acquisition costs	101.5	96.0
Investments	1.0	1.1
Reclassifications	5.4	2.1
Sales for the year	-	-0.1
Translation differences for the year	-0.8	2.4
Closing balance acquisition costs	107.1	101.5
Opening balance, accumulated impairment losses	-50.6	-25.8
Fair value adjustment	11.3	-24.8
Closing balance, accumulated impairment losses	-39.3	-50.6
Net carrying value	67.8	50.9

Financial fixed assets are valued at fair value. Shares in the Chinese company, Joint Venture Nanjing MeiRui Pharma Co., Ltd, (participating interest 10 percent), book value MSEK 3.0 (3.0), are included in 'Other financial fixed assets'. Since it is not possible to establish a fair value the item is valued to acquisition value. Financial fixed assets also include deposits of MSEK 9.2 (9.2), endowment insurance MSEK 32.3 (26.8) and Available-for-sale financial assets (see below).

Available-for-sale financial assets refer to the Swedish listed shares in Aerocrine AB (publ). The book value has been subject to fair value adjustment and write-downs in the income statement (see below).

Other financial fixed assets includes financial fixed assets available-for-sale with the following amounts:

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Opening balance acquisition value	62.2	62.2
Opening balance accumulated losses, reported in equity	-50.3	-
Movements against equity during the year	50.3	-50.3
Impairment losses recognized in the Income Statement	-38.9	-
Net carrying value	23.3	11.9

Note 24 INVENTORIES

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Raw material and consumables	112.6	105.7
Work in progress	218.2	190.1
Finished goods	127.4	125.5
Advance payments to suppliers	1.4	2.3
Total inventories	459.6	423.6

Note 25 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Accounts receivable	890.7	862.1
Provision for value reduction of accounts receivable	-12.6	-12.8
Accounts receivable net	878.1	849.3
Income taxes recoverable	21.9	16.0
Other receivables	86.9	36.6
Prepaid costs and accrued income	40.5	31.5
Accounts receivable and other receivables, total	1,027.4	933.4

For income taxes recoverable, other receivables and prepaid costs and accrued income, the fair value corresponds to the book value. Accounts receivable net corresponds to fair value. The accounts receivable are individually assessed. The write-down requirement primarily refers to receivables where a certain amount of insecurity exists regarding payment. Allowance for impairment of the accounts receivable, MSEK -12.6 (-12.8), mainly concerns accounts receivable overdue for more than 90 days.

Maturity schedule of the Group's accounts receivable

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Not overdue	512.1	548.8
Overdue 1-45 days	104.2	73.3
Overdue 46-90 days	51.1	41.8
Overdue 91- days	223.3	198.2
Accounts receivable, total	890.7	862.1

Book value of the Group's accounts receivable per currency

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
SEK	15.2	13.5
USD	90.4	64.7
EUR	579.7	540.8
JPY	143.3	180.7
Other currencies	49.5	49.6
Total	878.1	849.3

Movements in allowances for impairment

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Opening balance	-12.8	-10.0
Provision for receivables impairment	-2.7	-1.3
Receivables written off during the year as uncollectible	2.2	-
Translation differences	0.7	-1.5
Closing balance	-12.6	-12.8

Note 26 PREPAID EXPENSES AND ACCRUED INCOME

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Accrued interest income	6.3	2.6
Prepaid insurance	4.0	4.8
Prepaid rent	3.5	4.4
Other items	26.7	19.7
Prepaid expenses and accrued income, total	40.5	31.5

Note 27 CHANGES IN EQUITY

Number of shares

Parent Company	A-shares	Total amount
Amount as of Dec 31, 2008	100,000	100,000
Amount as of Dec 31, 2009	100,000	100,000

The share capital comprises 100,000 shares with a quoted value of SEK 1 per share. All shares entitle equal rights to the company's assets and profits. Specification of changes in equity can be found in the report Changes in Equity, Consolidated Accounts.

Currency exchange rate differences in equity

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Exchange rate in hedging instruments		
Opening balance	-132.9	-29.6
Exchange rate differences in hedging instruments for the year	39.8	-103.3
Closing balance	-93.1	-132.9
Changes in translation of subsidiaries		
Opening balance	123.5	8.9
Changes in translation of subsidiaries for the year	-62.9	114.6
Closing balance	60.6	123.5
Currency exchange rate differences in equity	-32.5	-9.4

Changes in translations of subsidiaries include all translation differences arising in the translation of financial reports from foreign operations which have been prepared in a currency other than the Group's financial reporting currency (SEK).

Note 28 INTEREST-BEARING LIABILITIES

MSEK	Group		Parent Company	
	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008
Liabilities to credit Institutions	10,054.7	10,843.1	2,139.4	1,904.2
Subordinated shareholder loan from CB Diagnostics Luxembourg S.à r.l.	3,775.7	3,371.1	3,390.0	3,025.0
Liabilities for capital lease	2.9	-	-	-
Closing book value interest-bearing liabilities	13,833.3	14,214.2	5,529.4	4,929.2

Interest-bearing liabilities in SEK specified per currency

MSEK	Group		Parent Company	
	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008
EUR	5,499.8	5,611.3	2,139.4	1,904.2
JPY	2,660.9	3,124.2	-	-
SEK	3,775.7	3,371.1	3,390.0	3,025.0
USD	1,896.9	2,107.6	-	-
Closing book value	13,833.3	14,214.2	5,529.4	4,929.2

Specification of long-term and short-term portion of interest-bearing liabilities

MSEK	Group		Parent Company	
	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008
Short-term portion of liabilities with Credit Institutions	183.5	112.0	-	-
Long-term interest-bearing liabilities	13,649.8	14,102.2	5,529.4	4,929.2
Total interest-bearing liabilities	13,833.3	14,214.2	5,529.4	4,929.2

Also see Note 3.

Interest Bearing Liabilities

Subordinated loan from shareholders

The Parent Company, CB Diagnostics Holding AB, has raised a subordinated loan which, on December 31, 2009, has a fair value of MSEK 3,390.0 (3,025.0). The interest rate is 12 percent. Interest is capitalized yearly and the loan matures on January 19, 2037.

Note 29 RETIREMENT BENEFIT OBLIGATIONS

Pension insurance with Alecta

Commitments for occupational pensions and family pensions for Swedish employees are secured through insurance with Alecta. According to a statement from the Swedish Financial Board's recommendation, UFR 3, this is a defined benefit plan which includes several employers. For financial years for which the company has not access to the information needed to list this plan as a benefit-based plan, a pension plan according to Supplementary Pension for Employees in Industry and Commerce, safeguarded through insurance with Alecta, will be reported as a fee-based plan. The premiums for the year for pension benefits insured with Alecta total MSEK 14.4 (8.6). Alecta's surplus can be specified according to the policy holder and/or the insured. At the end of 2009, Alecta's surplus in the form of the collective consolidation level amounted to 141 (112) percent. The collective consolidation level is made up of the market value of Alecta's assets as a percentage of the insurance commitments calculated according to Alecta's insurance-technical calculation assumptions, which does not correspond with IAS 19.

Foreign defined benefit pension plans and healthcare benefits after terminated employment

The Group operates defined benefit pensions in some countries. The largest plans are in Germany, the Netherlands, Belgium, France, Norway, Italy and Japan, and are calculated according to IAS 19, Employee Benefits. The Group has some post-employment medical benefits in the US.

Retirement benefit obligations

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Defined benefit pension plans		
Present value of funded obligations	62.6	54.6
Fair value of plan assets	-21.9	-23.3
Forecasted pension obligations in addition to assets in pension plans	40.7	31.3
Present value of unfunded obligations	18.5	17.1
Unreported actuarial profits (+) and losses (-)	8.6	13.5
Allocation of foreign defined benefit pension plans in the balance sheet	67.8	61.9
Allocation of other defined benefit plans	1.3	1.7
Allocation on the balance sheet	69.1	63.6
Allocation of pensions and similar commitments	69.1	63.6
Post-employment medical benefits	5.1	3.0
Net liability at year-end in the balance sheet	74.2	66.6

The reason for the movement in provision in defined benefit pension plans is described in the following table.

Net liability of defined benefit pensions and similar commitments

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Allocation, at beginning of the year	66.6	54.5
Net cost recognized in the income statement	13.6	9.1
Payment to pension funds	-1.7	-7.4
Payment from pension funds	-0.3	-0.9
Translation differences	-4.0	11.3
Net liability at year-end in the balance sheet	74.2	66.6

Amounts recognized in the income statement for defined benefit pension plans are described in the following table.

MSEK	Group	
	2009	2008
Current service cost	9.7	5.7
Interest cost	3.4	2.9
Expected return on plan assets	-1.1	-0.8
Actuarial gains and losses	-0.2	-0.2
Losses (+) or gains (-) on curtailments and settlements	-0.3	-0.2
Total cost for defined benefit plans	11.5	7.4
Total cost for defined contribution plans	63.9	46.5
Pension cost, total	75.4	53.9

Costs for special employer's contribution and tax on returns in Sweden are 12.8 (9.8) MSEK. The total costs for defined contribution and defined benefit pension plans can be found in Note 7.

The specification of the defined benefit plans into the various functions is shown in the following table.

Cost per function

MSEK	Group	
	2009	2008
Selling expenses	9.4	5.9
Administrative expenses	1.7	1.4
Financial costs	0.4	0.1
Total pension costs for defined benefit plans	11.5	7.4

The movement in the defined benefit obligation is as follows

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
At beginning of the year	73.4	61.1
Current service cost	9.6	5.6
Interest cost	3.6	2.9
Actuarial losses/(gains)	-	-2.0
Exchange differences	-3.1	10.6
Benefits paid	-2.1	-4.6
Liabilities acquired in a business combination	1.3	-
Settlements	-0.3	-0.2
At year-end	82.4	73.4

The movement in the fair value of plan assets of year is as follows

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
At beginning of the year	-23.0	-18.3
Expected return on plan assets	-1.1	-0.8
Actuarial losses/(gains)	1.9	-0.3
Exchange differences	0.7	-2.1
Employer contribution	-1.6	-1.7
Employee contribution	-0.3	0.1
Benefits paid	1.5	0.1
At year-end	-21.9	-23.0

The actual return on plan assets was MSEK 0.8 (0.6). The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the end of the reporting period. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets. Expected contributions to post-employment benefit plans for the year ending 31 December 2009 are MSEK 1.7 (1.2).

The actuarial calculation of pension obligations, pension costs and plan assets is based on the following significant assumptions on balance sheet date (expressed as weighted average):

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Discount rate	1.8% - 6.5%	2.0% - 6.3%
Expected return on plan assets	0.0% - 6.5%	0.0% - 5.5%
Future annual salary increases	3.0% - 5.0%	3.0% - 5.0%
Future annual pension increases	0.0% - 3.0%	0.0% - 4.5%
Personnel turnover	0.0% - 4.0%	0.0% - 3.0%

Experience adjustments on plan liabilities and plan assets

MSEK	Group		
	Dec 31, 2009	Dec 31, 2008	Dec 31, 2007
Present value of defined benefit obligation	81.1	71.7	59.6
Fair value of plan assets	21.9	23.3	18.3
Deficit/(surplus)	59.2	48.4	41.3
Experience adjustments on plan liabilities	-0.2	-0.3	-0.6
Experience adjustments on plan assets	-	-	-

Note 30 OTHER PROVISIONS

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Opening balance	33.7	31.9
Provisions made during the year	8.0	1.8
Total provisions	41.7	33.7

The provisions refer to:

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Provision for guarantees	-	1.8
Provision for buildings	5.2	2.6
Provision for endowment insurance	32.2	26.8
Other	4.3	2.5
Total provisions	41.7	33.7

Provision for endowment insurance concerns pension commitments for certain personnel. The provision will partly be used in 2010. Further provisions will be made in coming years.

Note 31 ACCRUED EXPENSES AND DEFERRED INCOME

MSEK	Group		Parent Company	
	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008
Accrued payroll expenses and charges for social security contributions	215.4	200.4	-	-
Accrued interest expenses	131.8	232.5	386.3	346.8
Accrued royalty	4.2	3.1	-	-
Customer discounts	13.2	15.1	-	-
Other items	86.6	70.8	-	-
Accrued expenses and deferred income, total	451.2	521.9	386.3	346.8

Note 32 TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are adjusted to conditions on the market. The companies considered related parties to Phadia Group are companies where the Group can wield controlling or significant influence regarding the operative and financial decisions being made. The group of related companies also comprises those companies and people who can wield controlling or significant influence vis-à-vis the Group's operative and financial decisions. Controlling influence over the Phadia Group is exerted by funds and companies associated with Cinven Limited. Transactions with related parties consist of shareholder loans, whereof the debt to funds and companies associated with Cinven Limited amounts to MSEK 3,390.0 (3,025.0). Please refer to Note 28 on Interest-bearing liabilities. The interest cost to related parties is MSEK 404.5 (362.1).

During 2009, the Group has made transactions with Cinven Limited regarding the acquisition of services in the form of management fees. Refer to Note 8 for information on remuneration to CEO and other senior management.

Purchases and sales between Group companies

Of the total annual cost of acquisitions and the sales revenue of the Parent Company, - (-) percent of purchases and - (-) percent of sales refer to other companies in the Group. Of the total annual costs of acquisitions and sales revenues of the subsidiaries, 25.2 (27.4) percent of purchases and 40.0 (40.2) percent of sales refer to the group companies.

Note 33 ADJUSTMENTS FOR NON-CASH FLOW ITEMS

MSEK	Group	
	Dec 31, 2009	Dec 31, 2008
Amortization, depreciation and write-downs	192.4	184.5
Change in interest liabilities and other financial items	-121.4	156.8
Changes in other provisions	15.6	-
Capitalized interest expenses	600.1	582.6
Unrealized exchange rate differences referring to loans	-587.1	2,093.0
Other	13.8	-13.9
Total	113.4	3,003.0

The Interest paid and the Interest received are included in profit/loss after financial items with the following amounts:

MSEK	Group		Parent Company	
	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008
Interest received	8.5	17.5	-	-
Interest paid	-428.4	-462.0	-	-

Note 34 BUSINESS ACQUISITION

On July 1, 2009 the Group acquired the remaining 75.1% of the share capital in VBC Genomics Bioscience Research GmbH for MSEK 172.6. In 2010 the name of the company was changed to Phadia Multiplexing Diagnostics GmbH. The goodwill value after the acquisition amounted to MSEK 133.0.

Assets and liabilities in acquired subsidiaries, associated companies and other business

Group MSEK	Dec 31, 2009		Dec 31, 2008	
	Acquired book value	Acquired actual value	Acquired book value	Acquired actual value
Tangible assets	2.6	2.6	1.8	1.8
Other Intangible assets	16.9	91.6	-	-
Investments in associates	-	0.4	-	-
Other Financial assets	0.4	0.4	-	-
Inventory	0.1	0.1	0.3	0.3
Other receivables and assets	7.6	22.6	-	-
Other liabilities	-10.1	-10.1	-	-
Deferred taxes fair value	-	-19.6	-	-
Net assets apart from Goodwill	17.5	88.0	2.1	2.1
Goodwill		133.0		10.2
Purchase sum		221.0		12.3
<i>Of which cash and cash equivalents</i>		1.0		-

Total change in the consolidated liquid funds in conjunction with acquisition of subsidiaries and other business

Group MSEK	2009	2008
Purchase sum (including costs connected with the acquisition) paid in cash	-172.4	-12.3
Acquisition adjustments	-0.2	-
Liquid funds in the acquired companies	1.0	-
Total change in the consolidated liquid funds in conjunction with the acquisitions	-171.6	-12.3

The goodwill originating from the acquisition of VBC Genomics Bioscience Research GmbH (the name later changed to Phadia Multiplexing Diagnostics GmbH) is primarily attributable to the market potential that is made possible through sale of the company's products through Phadia's established market organization. In the acquisition immaterial assets were identified to a value of MSEK 74.7, consisting of Trademark, MSEK 23.5, and Technology, MSEK 51.2. See also Notes 17 and 18.

Note 35 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Tax disputes

After completion of a tax audit, the Swedish Tax Agency has reconsidered the Parent Company's tax returns for 2007. The issue, which has been appealed by the company to Förvaltningsrätten concerns the company's right to tax deductions of SEK 107.8 million relating to the interest rate on the Shareholder loan. In the case of a final negative decision by the court the company's losses carried forward will be reduced. In addition, there will be a tax surcharge of SEK 10.8 million. The next year of assessment would be affected correspondingly, with reduced right to tax deductions for interest on the Shareholder loan, reduced losses carried forward and increased tax expenses. No provision for covering the expenses in the case of a negative outcome of the appeal has been made in the annual accounts.

After a tax audit the Swedish Tax Agency has also reconsidered the assessment of tax of one of the Swedish subsidiaries for 2007. Also this issue, which concerns the classification of financing costs and the company's right to tax deductions for these, has been appealed by the company to Förvaltningsrätten. In the case of a final negative outcome of the appeal the company's losses carried forward will be reduced by SEK 10.3 million for 2007. Also the losses carried forward in 2008 and 2009 would be reduced by the corresponding amount. The valuation of the Group's losses carried forward in the annual accounts is not based on a negative outcome.

Pledged assets for liabilities:

MSEK	Group		Parent Company	
	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008
Pledged assets for liabilities to credit institutes				
Bank account	737.4	579.0	-	-
Receivables	557.4	524.1	-	-
Other pledged assets	144.6	141.2	-	-
	1,439.4	1,244.3	-	-
Other pledged assets				
Bank account	3.0	0.6	-	-
Contingent liabilities				
Other contingent liabilities	119.7	125.6	None	None

In addition to the above there are also pledged assets in the subsidiaries relating to intra-company receivables totaling MSEK 2,218.9 (3,503.6) and pledged assets relating to shares in subsidiaries. The Group's total collateral cannot exceed the total value in the Group, however. Assets pledged by subsidiaries within the Phadia Group for group loans cannot be claimed in case they infringe upon the laws and restrictions of the country in question.

Companies within the Phadia Group have pledged certain assets as a collateral for external debts related to The Senior Credit Facilities Agreement between CB Diagnostics AB and Royal Bank of Scotland Plc, Unicredit Markets and Investment Banking and UBS Limited.

The subsidiaries have signed a general guarantee commitment for Group-wide loans. The contingent liabilities provided by subsidiaries within the Phadia Group for group loans cannot be claimed in case they infringe upon the laws and restrictions of the country in question.

Uppsala, April 21, 2010

Daniel Peters
Chairman of the Board

Stuart McAlpine
Board member

Magnus Lundberg
Chief Executive Officer
Board member

Anders Lundmark
Board member

Our auditor's report has been submitted on April 29, 2010.
Öhrlings PricewaterhouseCoopers AB

Claes Dahlén
Authorized Public Accountant
Auditor in charge

Lars Kylberg
Authorized Public Accountant



Daniel L. Peters
Chairman of the Board, Non-executive director, Phadia

Mr. Peters was appointed to the board of the Phadia Group in 2008.

Mr. Peters was most recently President and CEO of global Medical Diagnostics at GE Healthcare and a corporate officer of GE, retiring from the company at the end of 2007. He previously served as COO at Amersham Health, as the global President for Amersham Health's Medical Diagnostics business, and as the President of Nycomed Amersham Imaging Inc. He has also served as President of the Americas for the pharmaceuticals business of Hafslund Nycomed and as President of the US pharmaceutical business of Sterling Winthrop Inc.

Mr. Peters holds a B.Sc. degree from Western Illinois University.



Magnus Lundberg
Chief Executive Officer, Phadia

Mr. Lundberg was appointed to the board of Pharmacia Diagnostics (now Phadia) Group in 2004. Since March 1999 he has served as President and Chief Executive Officer of Pharmacia Diagnostics/Phadia.

Between 1996 and 1999 Mr. Lundberg served as President of both Chiron Therapeutics and Chiron Vaccines, each a division of Chiron Corporation. From 1981 to 1996 he held various management positions at Pharmacia AB.

Mr. Lundberg holds an M.Sc. in Biology and Biochemistry from Åbo Akademi in Turku, Finland.



Stuart McAlpine
Non-executive director, Phadia

Mr. McAlpine was appointed to the board of Phadia Group in January 2007. He is a partner at Cinven and joined in 1996. He has been involved in a number of transactions including Amadeus, Phadia, Truvo, Unique Pub Company, Fosco and Fitness First. He is a member of the Healthcare and Business Services sector teams and is also a board member of Amadeus.

He was previously with the Royal Bank of Scotland in their Leveraged Finance Group, having moved there from Ernst & Young, where he worked in Boston and London.

Mr. McAlpine has a degree in Accountancy from Glasgow University.



Supraj Rajagopalan
Non-executive director, Phadia

Dr. Rajagopalan was appointed to the board of Phadia Group in January 2007. He joined Cinven in 2004 and has worked on a number of transactions including Spire Healthcare, Ahlsell, Partnerships in Care and Phadia. He is a member of the Healthcare and Industrial sector teams.

Dr. Rajagopalan was previously at Boston Consulting Group, where he worked on projects in the Financial Service and Healthcare sectors. Prior to this, he was a doctor in the UK National Health Service.

Dr. Rajagopalan graduated from Cambridge University with undergraduate and postgraduate degrees in Medical Sciences.



Lars Holmqvist Employee representative, Phadia

Mr. Holmqvist was appointed to the board of Pharmacia Diagnostics Group in 2004. He joined the company in 1981 and started his career within Research & Development and changed position to Sales & Marketing in 1991. At present he is International Product Manager for ImmunoCAP instruments.

Mr. Holmqvist holds a degree in Chemical Engineering



Anna-Tora Martin Employee representative, Phadia

Mrs. Martin was appointed to the board of Pharmacia Diagnostics Group in 2004. She joined the company in 1982 as a scientist and has since held a number of positions before being appointed Environmental Manager in 2006.

Mrs. Martin has a Ph.D. in Chemistry.

As the Phadia Group board duties are executed in Sweden DIA (Sweden) AB, the presentation of the Phadia Group board members represent the board of the subsidiary Sweden DIA (Sweden) AB.

About Cinven

Cinven is a leading European buyout firm, founded in 1977, with offices in London, Paris, Frankfurt, Milan and Hong Kong. Cinven acquires European-based companies that require an equity investment by Cinven funds of €100 million or more. The European focus and expertise are complemented by an ability to capitalize on global growth opportunities through the Asian office. Cinven focuses on six sectors: Business Services, Consumer, Financial Services, Healthcare, Industrials, and Technology, Media and Telecommunications (TMT).

Cinven acquires successful, high-quality companies and works with them to help them grow and develop, using their proven value creation strategies. Typically, Cinven holds its investments for between four to six years. Cinven takes a responsible approach towards the portfolio companies, their employees, suppliers and local communities, the environment and society as a whole.