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# ***Actavis Nordic A/S***

Vandtårnsvej 83 A, DK-2860 Søborg

## **Annual Report for 2016**

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CVR No 17 55 77 42

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
21/6 2017

Ólöf Thorhallsdóttir  
Chairman



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# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Actavis Nordic A/S for the financial year 1 January - 31 December 2016.

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

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

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

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

Søborg, 21 June 2017

## Executive Board

Ólöf Thorhallsdottir  
CEO

Bjarne Palle Niemi

## Board of Directors

Henri Pieter Josephus Henrichs  
Chairman

Arni Olafur Asgeirsson

Ólöf Thorhallsdottir

# Independent Auditor's Report

To the Shareholder of Actavis Nordic A/S

## Opinion

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

We have audited the Financial Statements of Actavis Nordic A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

## Basis for opinion

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

## Statement on Management's Review

Management is responsible for Management's Review.

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

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

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

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

# Independent Auditor's Report

## Management's responsibilities for the Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 21 June 2017

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Martin Lunden  
State Authorised Public Accountant

Thomas Lauritsen  
State Authorised Public Accountant

## Company Information

### **The Company**

Actavis Nordic A/S  
Vandtårnsvej 83 A  
DK-2860 Søborg

CVR No: 17 55 77 42

Financial period: 1 January - 31 December

Municipality of reg. office: Gladsaxe

### **Board of Directors**

Henri Pieter Josephus Henrichs, Chairman  
Arni Olafur Asgeirsson  
Ólöf Thorhallsdottir

### **Executive Board**

Ólöf Thorhallsdottir  
Bjarne Palle Niemi

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

## Financial Highlights

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

	2016	2015	2014	2013	2012
	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	494	350	357	359	319
Gross profit/loss	31	24	4	-15	-18
Net financials	-135	-107	-20	-189	-1,489
Net profit/loss for the year	-110	-77	-16	-202	-1,499
<b>Balance sheet</b>					
Balance sheet total	393	333	330	414	710
Equity	-93	-98	-21	-9	-1,219
<b>Ratios</b>					
Gross margin	6.3%	6.9%	1.1%	-4.2%	-5.6%
Solvency ratio	-23.7%	-29.4%	-6.4%	-2.2%	-171.7%
Return on equity	115.2%	129.4%	106.7%	32.9%	249.6%

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



## **Management's Review**

Financial Statements of Actavis Nordic A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Annual Report has been prepared under the same accounting policies as last year.

### **Key activities**

The objective of the Company is trading in pharmaceuticals and investment in companies trading in pharmaceuticals. Furthermore, the Company carries out related activities, including the ownership of product rights.

Geographically, the Company's activities are primarily aimed at the Nordic countries.

### **Development in the year**

The income statement of the Company for 2016 shows a loss of TDKK 110,016, and at 31 December 2016 the balance sheet of the Company shows negative equity of TDKK 92,905.

On July 27, 2015 Allergan announced that the company has entered into a definitive agreement under which Teva will acquire Allergan's legacy Actavis global generics business. As a consequence all integration activities between Allergan and Actavis were cancelled. Divestiture was completed on August 2, 2016.

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

The financial statements are not affected by special risks.

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

The Company expects improved results from ordinary activities in the future, but any profit/loss will primarily depend on the capital and financing structure of the Company.

### **Research and development**

The Company's development activities comprise registration of new products for the Group. The Company does not develop new products.

### **External environment**

The Company act as a holding company and owner of the Nordic Group's inventory, which are sold and distributed through the Nordic sales companies. Consequently, the Company has no or limited impact on the external enviroment.

## **Management's Review**

### **Statement of corporate social responsibility, cf. section 99c of the Danish Financial Statements Act**

The Company do not have any policies regarding corporate social responsibility, as the Company only acts as a holding company and as owner of the inventory sold by group enterprises, as well as the Company do not have any employees.

However, Actavis Nordic's management team is accountable for the development and implementation of programmes which support the Group's ambition to contribute to health and increased quality of life in the countries where the Group operates.

The Company does not have an environmental policy.

The Company does not have a human rights policy.

### **Statement on gender composition, cf. section 99b of the Danish Financial Statements Act**

In 2016 3 members are elected to the Board of Directors, it consists of 2 men and 1 woman. There has been achieved equitable distribution on the board, why there is not set targets for achieving equitable distribution. In 2016, the Executive Board comprised of two members, one of whom is a woman and the other is a man. Equitable balance in the other layers of management have been achieved, therefore no policies have been created to increase the share of the underrepresented sex in the other management layers.

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

Part of the Company's transactions is settled in foreign currencies. Therefore, changes in foreign exchange rates have a considerable effect on recognition and measurement.

Interest rate risks primarily relate to the Company's interest-bearing debt to group enterprises. The debt carries a floating interest rate.

Hedging of interest rate and currency risks is handled by Group Treasury.

### **Unusual events**

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

### **Subsequent events**

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

## Income Statement 1 January - 31 December

	Note	2016 TDKK	2015 TDKK
<b>Revenue</b>	2	<b>493,716</b>	<b>349,994</b>
Cost of goods sold		-422,437	-287,296
Other external expenses		-40,031	-38,892
<b>Gross profit/loss</b>		<b>31,248</b>	<b>23,806</b>
Amortisation and impairment of intangible assets	3	-3	-33
<b>Profit/loss before financial income and expenses</b>		<b>31,245</b>	<b>23,773</b>
Income from investments in subsidiaries	4	-125,858	-93,344
Financial income	5	291	383
Financial expenses	6	-9,922	-13,960
<b>Profit/loss before tax</b>		<b>-104,244</b>	<b>-83,148</b>
Tax on profit/loss for the year	7	-5,772	6,096
<b>Net profit/loss for the year</b>		<b>-110,016</b>	<b>-77,052</b>

## Distribution of profit

### Proposed distribution of profit

Retained earnings		-110,016	-77,052
		<b>-110,016</b>	<b>-77,052</b>

## Balance Sheet 31 December

### Assets

	Note	2016 TDKK	2015 TDKK
Acquired patents		0	3
<b>Intangible assets</b>	8	<b>0</b>	<b>3</b>
Investments in subsidiaries	9	102,084	112,642
<b>Fixed asset investments</b>		<b>102,084</b>	<b>112,642</b>
<b>Fixed assets</b>		<b>102,084</b>	<b>112,645</b>
<b>Inventories</b>		<b>141,064</b>	<b>126,869</b>
Receivables from group enterprises		149,203	86,570
Other receivables		282	0
Corporation tax		0	3,672
Prepayments	10	0	857
<b>Receivables</b>		<b>149,485</b>	<b>91,099</b>
<b>Cash at bank and in hand</b>		<b>767</b>	<b>1,918</b>
<b>Currents assets</b>		<b>291,316</b>	<b>219,886</b>
<b>Assets</b>		<b>393,400</b>	<b>332,531</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2016 TDKK	2015 TDKK
Share capital		952	951
Retained earnings		-93,857	-99,140
<b>Equity</b>		<b>-92,905</b>	<b>-98,189</b>
Payables to group enterprises		329,642	326,138
<b>Long-term debt</b>	11	<b>329,642</b>	<b>326,138</b>
Trade payables		16,897	3,067
Payables to group enterprises	11	130,052	98,134
Corporation tax		5,527	0
Other payables		4,187	3,381
<b>Short-term debt</b>		<b>156,663</b>	<b>104,582</b>
<b>Debt</b>		<b>486,305</b>	<b>430,720</b>
<b>Liabilities and equity</b>		<b>393,400</b>	<b>332,531</b>
Capital situation	1		
Contingent assets, liabilities and other financial obligations	12		
Related parties	13		
Fee to auditors appointed at the general meeting	14		

## Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	951	-99,140	-98,189
Cash capital increase	1	115,299	115,300
Net profit/loss for the year	0	-110,016	-110,016
<b>Equity at 31 December</b>	<b>952</b>	<b>-93,857</b>	<b>-92,905</b>

The share capital consists of 952,004 shares of a nominal value of DKK 1. No shares carry any special rights.

# Notes to the Financial Statements

## 1 Capital situation

In consequence of the negative results and because equity is negative in the amount of DKK -92,905k, the Company is subject to the capital loss provisions of the Danish Companies Act.

Actavis Group ehf. has issued a Letter of Support in which it is stated that they will support the Company financially to the extent necessary to finance its operating activities and to settle its financial obligations. The Letter of Support is effective until 3 June 2018.

Therefore, it is the opinion of the Board of Directors and the Executive Board that based on the Letter of Support the Company's capital resources are sufficient for the Company to continue as a going concern, and consequently, the Annual Report is prepared based on a going concern assumption.

In 2017, the Company's shareholders will decide on the future capital structure of the Company, including how to solve the capital loss issue.

	<u>2016</u> TDKK	<u>2015</u> TDKK
<b>2 Revenue</b>		
<b>Geographical segments</b>		
Revenue, Denmark	162,523	149,364
Revenue, Finland	157,314	151,600
Revenue, Sweden	36,544	23,445
Revenue, Norway	124,166	11,454
Revenue, Others	13,169	14,131
	<u><b>493,716</b></u>	<u><b>349,994</b></u>
<b>3 Amortisation and impairment of intangible assets</b>		
Amortisation of intangible assets	<u>3</u>	<u>33</u>
	<u><b>3</b></u>	<u><b>33</b></u>
<b>4 Income from investments in subsidiaries</b>		
Impairment losses	<u>-125,858</u>	<u>-93,344</u>
	<u><b>-125,858</b></u>	<u><b>-93,344</b></u>

## Notes to the Financial Statements

	2016 <u>TDKK</u>	2015 <u>TDKK</u>
<b>5 Financial income</b>		
Other financial income	17	0
Exchange gains	<u>274</u>	<u>383</u>
	<b><u>291</u></b>	<b><u>383</u></b>
<b>6 Financial expenses</b>		
Interest paid to group enterprises	9,913	12,552
Other financial expenses	2	0
Exchange loss	<u>7</u>	<u>1,408</u>
	<b><u>9,922</u></b>	<b><u>13,960</u></b>
<b>7 Tax on profit/loss for the year</b>		
Current tax for the year	5,527	-3,672
Adjustment of tax concerning previous years	<u>245</u>	<u>-2,424</u>
	<b><u>5,772</u></b>	<b><u>-6,096</u></b>

The Company has a deferred tax asset in the amount of DKK 28,8 million at 31 December 2016 (2015: DKK 29,1 million) relating to non-current assets and tax loss carry-forwards. Due to uncertainty to the timing of future utilisation, the deferred tax asset is recognised at DKK 0.

	Acquired pa- tents <u>TDKK</u>
<b>8 Intangible assets</b>	
Cost at 1 January	65,376
Disposals for the year	<u>-48,805</u>
Cost at 31 December	<u>16,571</u>
Impairment losses and amortisation at 1 January	65,373
Amortisation for the year	3
Reversal of amortisation of disposals for the year	<u>-48,805</u>
Impairment losses and amortisation at 31 December	<u>16,571</u>
<b>Carrying amount at 31 December</b>	<b><u>0</u></b>



## Notes to the Financial Statements

	2016 TDKK	2015 TDKK
<b>9 Investments in subsidiaries</b>		
Cost at 1 January	2,178,928	2,178,928
Additions for the year	115,300	0
Cost at 31 December	2,294,228	2,178,928
Value adjustments at 1 January	-2,066,286	-1,972,942
Revaluations for the year, net	-125,858	-93,344
Value adjustments at 31 December	-2,192,144	-2,066,286
<b>Carrying amount at 31 December</b>	<b>102,084</b>	<b>112,642</b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Actavis Holding AB*	Sweden	SEK 1,000,000	100%	76,598	11
- Actavis AB*	Sweden	SEK 1,000,000	100%	16,916	14,299
Actavis A/S	Denmark	DKK 884,000	100%	13,522	-7,335
Actavis OY	Finland	EUR 16,000	100%	-406	444
UAB Actavis Baltic	Lithuania	EUR 10,000	100%	1,584	345
Actavis Holding Germany GmbH*	Germany	EUR 25,500	100%	-12,486	-855
- Medis Pharma GmbH*	Germany	EUR 25,500	100%	1,294	0

\* Annual report numbers are based on the latest public numbers as of 31 December 2015.

## 10 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

# Notes to the Financial Statements

## 11 Long-term debt

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

The debt falls due for payment as specified below:

	<u>2016</u> TDKK	<u>2015</u> TDKK
<b>Payables to group enterprises</b>		
Between 1 and 5 years	<u>329,642</u>	<u>326,138</u>
Long-term part	329,642	326,138
Other short-term debt to group enterprises	<u>130,052</u>	<u>98,134</u>
	<b><u>459,694</u></b>	<b><u>424,272</u></b>

## 12 Contingent assets, liabilities and other financial obligations

### Contingent liabilities

The Company has entered into a series of contracts for product rights under which the Company is to pay for the rights if they are applied on export markets.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

# Notes to the Financial Statements

## 13 Related parties

### Basis

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#### Controlling interest

Actavis Dutch Holding B.V., The Netherlands	Controlling shareholder
Teva Pharmaceutical Industries Limited, Israel	Ultimate shareholder

#### Transactions

With reference to section 98 C(7) of the Danish Financial Statements Act, related parties transactions have not been disclosed in the Annual Report.

#### Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company:

Name	Place of registered office
Teva Pharmaceutical Industries Limited, Israel	

The Group Annual Report of Teva Pharmaceutical Industries Limited, Israel may be obtained at the following address:

5 Basel Street  
P.O. Box 3190  
Petach Tikva 49131, Israel

## 14 Fee to auditors appointed at the general meeting

#### PricewaterhouseCoopers

	2016 TDKK	2015 TDKK
Audit fee	298	289
Tax advisory services	83	55
Other services	30	157
	<u>411</u>	<u>501</u>

## **Notes, Accounting Policies**

### **Basis of Preparation**

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

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2016 are presented in TDKK.

### **Consolidated financial statements**

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

### **Cash flow statement**

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

### **Recognition and measurement**

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

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

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

# Notes, Accounting Policies

## Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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

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

## Income Statement

### Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

### Cost of goods sold

Cost of goods sold comprise the raw materials and consumables consumed to achieve revenue for the year.

### Other external expenses

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

### Amortisation, depreciation and impairment losses

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

## **Notes, Accounting Policies**

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

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

### **Financial income and expenses**

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial income and expenses comprise interest and realised and unrealised exchange adjustments.

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

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

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## **Balance Sheet**

### **Intangible assets**

Patents are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over a five years period and amortisation is commenced when the patents are put to use.

### **Impairment of fixed assets**

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

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

### **Investments in subsidiaries**

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

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provision.

Dividends received are recognised in the income statement in the financial year in which they are declared. If proposed dividends exceed accumulated earnings after the acquisition date, dividends are

## **Notes, Accounting Policies**

however recognised as a reduction of the cost of the investments.

The carrying amount of investments in subsidiaries is subject to an annual test for indications of impairment. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Impairment losses are recognised in the income statement.

### **Inventories**

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

### **Receivables**

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debt. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

### **Prepayments**

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

### **Equity**

#### ***Dividend***

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

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

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

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

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legisla-

## Notes, Accounting Policies

tion at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

### Current tax receivables and liabilities

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

### Financial debts

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

## Financial Highlights

### Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$