Actavis Nordic A/S

Vandtårnsvej 83 A, DK-2860 Søborg

Annual Report for 2017

CVR No 17 55 77 42

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 1 /6 2018

Henri Pieter Josephus Henrichs
Chairman

Contents

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 2017.

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 2017 of the Company and of the results of the Company operations for 2017.

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, 1 June 2018

Executive Board

Morten Nielsen Executive Officer	Bjarne Palle Niemi Executive Officer

Board of Directors

Henri Pieter Josephus Henrichs Chairman	Morten Nielsen	Kim Vallentin Peetz

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 2017 and of the results of the Company’s operations for the financial year 1 January - 31 December 2017 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 2017, 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.

- 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, 1 June 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Martin Lunden	Thomas Lauritsen
State Authorised Public Accountant	State Authorised Public Accountant
mne32209	mne34342

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 Morten Nielsen Kim Vallentin Peetz
Executive Board	Morten Nielsen 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:

	2017	2016	2015	2014	2013
	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK
Key figures					
Profit/loss					
Revenue	475	494	350	357	359
Gross profit/loss	75	31	24	4	-15
Profit/loss before financial income and expenses	65	31	24	4	-15
Net financials	54	-135	-107	-20	-189
Net profit/loss for the year	108	-110	-77	-16	-202
Balance sheet					
Balance sheet total	361	393	333	330	414
Equity	4	-93	-98	-21	-9
Investment in property, plant and equipment	43	0	0	0	0
Ratios					
Gross margin	15.8%	6.3%	6.9%	1.1%	-4.2%
Profit margin	13.7%	6.3%	6.9%	1.1%	-4.2%
Return on assets	18.0%	7.9%	7.2%	1.2%	-3.6%
Solvency ratio	1.1%	-23.7%	-29.4%	-6.4%	-2.2%
Return on equity	-242.7%	115.2%	129.4%	106.7%	32.9%

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.

Comparative figures are not adjusted after the merger of Actavis A/S and Actavis Nordic A/S in 2017.

Management's Review

Key activities

The objective of the Company is 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 2017 shows a profit of TDKK 107,544, and at 31 December 2017 the balance sheet of the Company shows equity of TDKK 3,829.

A restructuring of the business in the Nordic countries has been decided during 2017. We have therefore sold the inventory for Sweden and Finland to the local Teva representatives in those countries. In 2018 the Norwegian inventory will also be sold to Teva NO.

On January 18, 2018 Actavis Nordic A/S were merged with one of it's daughters, Actavis A/S. The merger has accounting effect as of January 1, 2017. The Financial Statements are therefore a consolidated statement between these two legal entities. However, comparatives have not been restated.

During the year Actavis Nordic A/S have sold its shares in Actavis AB, to Teva AB, as well as the activities in Actavis Oy and Actavis UAB was transferred, to Teva Oy and Teva Baltic, respectively, and the subsidiaries was subsequently liquidated. A gain from disposals of the investments in an amount of TDKK 65,062 has been recognized in the Financial Statements.

On May 31, 2017 Teva Denmark A/S bought all shares in Actavis Nordic A/S from the previous owner and a merger process between Teva Denmark A/S and Actavis Nordic A/S has been initiated. The merger is expected to has accounting effect as of January 1, 2018.

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

The development in the financial year 2017 has been satisfactory within the primary markets and the result from the primary activities is as expected.

Targets and expectations for the year ahead

The Company expects similar results from ordinary activities in the future as in 2017, but any profit/loss will primarily depend on the capital and financing structure of the Company and the restructuring activities.

Special risks - operating risks and financial risks

The financial statements are not affected by special risks.

Management's Review

Research and development

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. After the merger with Actavis A/S in 2017, the Company has taken over the sale directly on the Danish market, and as a sales company the Company has no or limited impact on the external environment.

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 prior to the merger with Actavis A/S only acted as a holding company and as owner of the inventory sold by group entreprises, as well as the Company did not have any employees. No policies have been established after the merger with Actavis A/S, as the Company plans to merge with Teva Denmark A/S in 2018.

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 was elected to the Board of Directors, it consists of 2 men and 1 woman, which has remained unchanged during 2017. Due to change in the Board of Directors in April 2018 the Board of Directors do now only consists of men. Due to the planned merger with Teva Denmark A/S in 2018 the targets for achieving equitable distribution for the Board of Directors will be set for the continued company in 2018.

In 2017, the Executive Board comprised of two members, one of whom is a woman and the other one is a man. Due to change in the Executive Board in April 2018 the Board of Directors do now only consists of men. Due to the planned merger with Teva Denmark A/S in 2018 no policies have been created to increase the share of the underrepresented sex in the other management layers, but will be prepared for the continued company.

Management's Review

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 2017 of the Company and the results of the activities of the Company for the financial year for 2017 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	2017	2016
		TDKK	TDKK
Revenue	2	**474,511**	**493,716**
Other operating income		3,500	0
Cost of goods sold		-342,550	-422,437
Other external expenses		-60,915	-40,031
Gross profit/loss		**74,546**	**31,248**
Amortisation and impairment of intangible assets	3	-9,503	-3
Profit/loss before financial income and expenses		**65,043**	**31,245**
Income from investments in subsidiaries	4	65,062	-125,858
Financial income	5	445	291
Financial expenses	6	-11,269	-9,922
Profit/loss before tax		**119,281**	**-104,244**
Tax on profit/loss for the year	7	-11,737	-5,772
Net profit/loss for the year		**107,544**	**-110,016**

Distribution of profit

Proposed distribution of profit

Retained earnings	107,544	-110,016
	107,544	**-110,016**

Balance Sheet 31 December

Assets

	Note	2017	2016
		TDKK	TDKK
Acquired patents		9,706	0
Goodwill		0	0
Software		0	0
Intangible assets	8	**9,706**	**0**
Other fixtures and fittings, tools and equipment		43	0
Property, plant and equipment	9	**43**	**0**
Investments in subsidiaries	10	0	102,084
Other investments	11	3,521	0
Fixed asset investments		**3,521**	**102,084**
Fixed assets		**13,270**	**102,084**
Inventories		**127,946**	**141,064**
Trade receivables		58,931	0
Receivables from group enterprises		153,593	149,203
Other receivables		1,367	282
Corporation tax		2,578	0
Prepayments	13	40	0
Receivables		**216,509**	**149,485**
Cash at bank and in hand		**3,338**	**767**
Currents assets		**347,793**	**291,316**
Assets		**361,063**	**393,400**

Balance Sheet 31 December

Liabilities and equity

	Note	2017	2016
		TDKK	TDKK
Share capital		952	952
Retained earnings		2,877	-93,857
Equity		**3,829**	**-92,905**
Provision for deferred tax	12	0	0
Provisions		**0**	**0**
Payables to group enterprises		10,458	329,642
Long-term debt	14	**10,458**	**329,642**
Trade payables		24,220	16,897
Payables to group enterprises	14	316,908	130,052
Corporation tax		4,709	5,527
Other payables		939	4,187
Short-term debt		**346,776**	**156,663**
Debt		**357,234**	**486,305**
Liabilities and equity		**361,063**	**393,400**

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Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	952	-93,857	-92,905
Net effect from merger and acquisition under the uniting of interests method	0	-10,810	-10,810
Adjusted equity at 1 January	952	-104,667	-103,715
Net profit/loss for the year	0	107,544	107,544
Equity at 31 December	**952**	**2,877**	**3,829**

Notes to the Financial Statements

1 Capital situation

Teva Pharmaceutical Industries Limited 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 November 2019.

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.

2 Revenue

	2017	2016
	TDKK	TDKK
Geographical segments		
Revenue, Denmark	200,793	162,523
Revenue, Finland	120,382	157,314
Revenue, Sweden	26,809	36,544
Revenue, Norway	122,278	124,166
Revenue, Others	4,249	13,169
	474,511	**493,716**

3 Amortisation and impairment of intangible assets

	2017	2016
Amortisation of intangible assets	3,846	3
Depreciation of property, plant and equipment	17	0
Impairment of intangible assets	5,640	0
	9,503	**3**

4 Income from investments in subsidiaries

	2017	2016
Gain from disposals of subsidiaries	65,062	0
Impairment losses	0	-125,858
	65,062	**-125,858**

Notes to the Financial Statements

		2017	2016
		TDKK	TDKK
5	**Financial income**		
	Other financial income	74	17
	Exchange gains	371	274
		445	**291**
6	**Financial expenses**		
	Interest paid to group enterprises	9,140	9,913
	Other financial expenses	7	2
	Exchange loss	2,122	7
		11,269	**9,922**
7	**Tax on profit/loss for the year**		
	Current tax for the year	9,376	5,527
	Deferred tax for the year	3,691	0
	Adjustment of tax concerning previous years	-2,555	245
	Adjustment of deferred tax concerning previous years	1,225	0
		11,737	**5,772**

Notes to the Financial Statements

8 Intangible assets

	Acquired patents	Goodwill	Software
	TDKK	TDKK	TDKK
Cost at 1 January	16,571	0	0
Net effect from merger and acquisition	94,998	20,447	64,009
Disposals for the year	-1,954	-20,447	0
Cost at 31 December	109,615	0	64,009
Impairment losses and amortisation at 1 January	16,571	0	0
Net effect from merger and acquisition	75,806	20,447	64,009
Impairment losses for the year	5,640	0	0
Amortisation for the year	3,846	0	0
Reversal of amortisation of disposals for the year	-1,954	-20,447	0
Impairment losses and amortisation at 31 December	99,909	0	64,009
Carrying amount at 31 December	**9,706**	**0**	**0**
Amortised over	15-20 years	20 years	3-5 years

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	TDKK
Cost at 1 January	0
Net effect from merger and acquisition	20,811
Additions for the year	43
Cost at 31 December	20,854
Impairment losses and depreciation at 1 January	0
Net effect from merger and acquisition	20,794
Depreciation for the year	17
Impairment losses and depreciation at 31 December	20,811
Carrying amount at 31 December	**43**
Depreciated over	3-5 years

Notes to the Financial Statements

10 Investments in subsidiaries

	2017	2016
	TDKK	TDKK
Cost at 1 January	2,294,228	2,178,928
Additions for the year	0	115,300
Disposals for the year	-292,642	0
Cost at 31 December	2,001,586	2,294,228
Value adjustments at 1 January	-2,192,144	-2,066,286
Revaluations for the year, net	0	-125,858
Reversals for the year of revaluations in previous years	190,558	0
Value adjustments at 31 December	-2,001,586	-2,192,144
Carrying amount at 31 December	**0**	**102,084**

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 Germany GmbH*	Germany	EUR 25,500	100%	2,792	-222
- Medis Pharma GmbH*	Germany	EUR 25,500	100%	1,294	0

* The annual report numbers are based on the latest public numbers as of 31 December 2016. The subsidiaries are merged in 2017 with Medis Pharma GmbH as the continuing company. On a consolidated levet the Deutch Group has negative equity, thus the investments has been written down.

Notes to the Financial Statements

11 Other fixed asset investments

	Other investments
	TDKK
Cost at 1 January	0
Net effect from merger and acquisition	3,521
Cost at 31 December	3,521
Revaluations at 1 January	0
Revaluations at 31 December	0
Carrying amount at 31 December	**3,521**

Other investments consists of a non-controlling shareholding in a foreign pharmaceutical company. The investment is recognised at cost as a reliable fair value cannot be assessed.

12 Provision for deferred tax

	2017	2016
	TDKK	TDKK
Provision for deferred tax at 1 January	0	0
Amounts recognised in the income statement for the year	9,647	0
Amounts recognised in equity for the year	-9,647	0
Provision for deferred tax at 31 December	**0**	**0**

The amount recognised in equity is due to the merger of Actavis A/S and Actavis Nordic A/S as of 1 January 2017.

The Company has a deferred tax asset in the amount of DKK 22.3 million at 31 December 2017 (2016: 28.8 million) relating temporary differences and tax loss carry-forwards. Due to uncertainty to the timing of future utilisation and impact of the planned merger with Teva Denmark A/S, the deferred tax asset is recognised at DKK 0.

13 Prepayments

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

Notes to the Financial Statements

14 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:

	2017	2016
	TDKK	TDKK
Payables to group enterprises		
Between 1 and 5 years	10,458	329,642
Long-term part	10,458	329,642
Other short-term debt to group enterprises	316,908	130,052
	327,366	**459,694**

15 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

16 Related parties

	Basis
Controlling interest	
Teva Denmark A/S, Denmark	Controlling 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

17 Fee to auditors appointed at the general meeting

	2017 TDKK	2016 TDKK
PricewaterhouseCoopers		
Audit fee	518	298
Other assurance engagements	30	0
Tax advisory services	87	83
Other services	60	30
	695	**411**

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of Actavis Nordic A/S for 2017 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 2017 are presented in TDKK.

Merger with Actavis A/S

In 2017 Actavis Nordic A/S and its wholly-owned subsidiary Actavis A/S merged with Actavis Nordic A/S as the continuing Company. The merger has been treated in accordance with the Danish Financial Statements Act section 123 (book value method). Consequently, the comparative figures have not been adjusted after the Danish Financial Statements section 24.

The merger has decreased the Company's equity in an amount of DKK 10,810k as of 1 January 2017.

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

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

Business combinations

Pooling of interests

Intragroup business combinations are accounted for under the pooling-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The pooling-of-interests method is applied at the date of acquisition, and comparative figures have not been restated.

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.

Revenue

Information on business segments and geographical segments based on the Companys risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

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.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

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.

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

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.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,200 are expensed in the year of acquisition.

Impairment of fixed assets

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

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

Investments in subsidiaries

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

Notes to the Financial Statements

18 Accounting Policies (continued)

declared. If proposed dividends exceed accumulated earnings after the acquisition date, dividends are 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.

Fixed asset investments

Fixed asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

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 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 debts. 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.

18 Accounting Policies (continued)

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 legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement 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.

Notes to the Financial Statements

18 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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