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# ***Arrow Group ApS***

c/o Teva Denmark A/S Vandtårnsvej 83 A, DK-2860  
Søborg

## **Annual Report for 1 January - 31 December 2017**

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CVR No 25 19 46 24

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
25/06 2018

Noel Camilleri  
Chairman

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## **Management's Statement**

The Executive Board has today considered and adopted the Annual Report of Arrow Group ApS 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, 25 June 2018

### **Executive Board**

Noel Camilleri  
Executive Officer

Kim Vallentin Peetz  
Executive Officer

# Independent Auditor's Report

To the Shareholder of Arrow Group ApS

## 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 Arrow Group ApS for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet 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.

## 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.

# Independent Auditor's Report

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

# Independent Auditor's Report

scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 25 June 2018

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Martin Lunden  
statsautoriseret revisor  
mne32209

Thomas Lauritsen  
statsautoriseret revisor  
mne34342

## **Company Information**

### **The Company**

Arrow Group ApS  
c/o Teva Denmark A/S Vandtårnsvej 83 A  
DK-2860 Søborg

CVR No: 25 19 46 24  
Financial period: 1 January - 31 December  
Municipality of reg. office: Gladsaxe

### **Executive Board**

Noel Camilleri  
Kim Vallentin Peetz

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

# **Management's Review**

## **Key activities**

The Group is engaged in the development, manufacturing, marketing and distribution of generic pharmaceuticals and specialised branded pharmaceutical products.

## **Development in the year**

The income statement of the Company for 2017 shows a profit of USD 801,369, and at 31 December 2017 the balance sheet of the Company shows negative equity of USD 24,625,876.

In the Financial Statements the merger between Arrow Group ApS and Arrow ApS has been treated in accordance with the uniting of interest method (net book values) with accounting effect 1 January 2017. This means that all identifiable assets and liabilities are recognised and measured at book value as of the merger date and comparative figures has not been restated.

A capital increase of USD 132,857 has been recognised due to the merger as of 1 January 2017.

The Company's shareholder will in 2018 consider the capital structure of the Company, including how to solve the capital loss situation.

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

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

## **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

	<u>Note</u>	<u>2017</u> USD	<u>2016</u> USD
<b>Gross profit/loss</b>		<b>(58,010)</b>	<b>(15,213)</b>
Income from investments in subsidiaries	3	2,302,126	77,400,000
Financial income	4	254,618	211,215
Financial expenses	5	<u>(1,715,127)</u>	<u>(1,822,086)</u>
<b>Profit/loss before tax</b>		<b>783,607</b>	<b>75,773,916</b>
Tax on profit/loss for the year	6	<u>17,762</u>	<u>(177,443)</u>
<b>Net profit/loss for the year</b>		<b><u>801,369</u></b>	<b><u>75,596,473</u></b>

## Distribution of profit

### Proposed distribution of profit

Retained earnings		<u>801,369</u>	<u>75,596,473</u>
		<b><u>801,369</u></b>	<b><u>75,596,473</u></b>

## Balance Sheet 31 December

### Assets

	Note	2017 USD	2016 USD
Investments in subsidiaries	7	2,658,019	5,227,179
<b>Fixed asset investments</b>		<b>2,658,019</b>	<b>5,227,179</b>
<b>Fixed assets</b>		<b>2,658,019</b>	<b>5,227,179</b>
Receivables from group enterprises		5,438,393	1,647,202
Other receivables		5,213	4,941
<b>Receivables</b>		<b>5,443,606</b>	<b>1,652,143</b>
<b>Cash at bank and in hand</b>		<b>12,929</b>	<b>3,433</b>
<b>Currents assets</b>		<b>5,456,535</b>	<b>1,655,576</b>
<b>Assets</b>		<b>8,114,554</b>	<b>6,882,755</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2017 USD	2016 USD
Share capital		26,061,929	26,059,276
Retained earnings		(50,687,805)	(51,619,378)
<b>Equity</b>	<b>8</b>	<b><u>(24,625,876)</u></b>	<b><u>(25,560,102)</u></b>
Payables to group enterprises		32,107,576	31,885,381
Other payables		574,013	511,714
<b>Long-term debt</b>		<b><u>32,681,589</u></b>	<b><u>32,397,095</u></b>
Trade payables		58,841	45,762
<b>Short-term debt</b>		<b><u>58,841</u></b>	<b><u>45,762</u></b>
<b>Debt</b>		<b><u>32,740,430</u></b>	<b><u>32,442,857</u></b>
<b>Liabilities and equity</b>		<b><u>8,114,554</u></b>	<b><u>6,882,755</u></b>
Capital situation	1		
Staff expenses	2		
Contingent assets, liabilities and other financial obligations	9		
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# Notes to the Financial Statements

## 1 Capital situation

Teva Finance Services II BV has issues a "Confirmation of Financial Support" which states financial support for the entity, to the extent that it is necessary to finance operating activities and settle financial obligations.

The confirmation of support is effective until the 31st May 2019.

Therefore, it is the opinion of the Board of Directors and the Executive Board that the Company's capital resources are sufficient for a going concern conclusion.

In 2018, the Company's shareholders will decide on the future capital structure of the Company, including how to solve the capital loss issue.

	<u>2017</u> USD	<u>2016</u> USD
<b>2 Staff expenses</b>		
There has been no employees in the company in the two preceding years		
<b>Average number of employees</b>	<u>0</u>	<u>0</u>
<b>3 Income from investments in subsidiaries</b>		
Gain on disposal of subsidiaries	<u>2,302,126</u>	<u>77,400,000</u>
	<b><u>2,302,126</u></b>	<b><u>77,400,000</u></b>
<b>4 Financial income</b>		
Interest received from group enterprises	24,456	25,722
Exchange gains	<u>230,162</u>	<u>185,493</u>
	<b><u>254,618</u></b>	<b><u>211,215</u></b>
<b>5 Financial expenses</b>		
Interest paid to group enterprises	1,430,001	1,733,157
Exchange loss	<u>285,126</u>	<u>88,929</u>
	<b><u>1,715,127</u></b>	<b><u>1,822,086</u></b>

## Notes to the Financial Statements

	2017	2016
	USD	USD
<b>6 Tax on profit/loss for the year</b>		
Current tax for the year	(17,762)	3,861
Deferred tax for the year	0	242,299
Adjustment of tax concerning previous years	0	(68,717)
	<u>(17,762)</u>	<u>177,443</u>

### 7 Investments in subsidiaries

Cost at 1 January	22,994,651	201,977,073
Disposals for the year	(2,569,160)	(178,982,422)
Cost at 31 December	<u>20,425,491</u>	<u>22,994,651</u>
Value adjustments at 1 January	(17,767,472)	(196,749,894)
Disposals for the year	0	178,982,422
Value adjustments at 31 December	<u>(17,767,472)</u>	<u>(17,767,472)</u>
<b>Carrying amount at 31 December</b>	<u><b>2,658,019</b></u>	<u><b>5,227,179</b></u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
Arrow Generics Limited	UK	77 %
Breath Limited	UK	100 %
Arrow No. 7 Limited	UK	100 %
Selamine Limited	Ireland	100 %
Teva Pharma (New Zealand) Limited	New Zealand	95 %
Watson Laboratories S. de R.L.	Mexico	100 %
Arrowblue Produtos Farmacéuticos SA	Portugal	100 %
Bowmed Limited	UK	100 %
Seeker Investments Limited	British Virgin Islands	100 %
Actavis Holdings South Africa (pty) Ltd.	South Africa	100 %

## Notes to the Financial Statements

### 8 Equity

	Share capital	Retained earnings	Total
	USD	USD	USD
Equity at 1 January	26,059,276	(51,619,378)	(25,560,102)
Net effect from merger and acquisition under the uniting of interests method	2,653	130,204	132,857
Adjusted equity at 1 January	26,061,929	(51,489,174)	(25,427,245)
Net profit/loss for the year	0	801,369	801,369
<b>Equity at 31 December</b>	<b>26,061,929</b>	<b>(50,687,805)</b>	<b>(24,625,876)</b>

The share capital consists of 2,220,370,594 shares of a nominal value of EUR 0.01. No shares carry any special rights.

### 9 Contingent assets, liabilities and other financial obligations

#### Contingent liabilities

The Company is involved in disputes on an ongoing basis. In Management's view the outcome of these will not influence these Financial Statements significantly.

The group's Danish subsidiaries are jointly and severally liable for tax expenses in the jointly taxed incomes of the Group.

# Notes to the Financial Statements

## 10 Related parties

### Consolidated Financial Statements

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

<u>Name</u>	<u>Place of registered office</u>
Teva Pharmaceuticals Industries Ltd.	Petach Tikva, 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

## **Notes, Accounting Policies**

### **Basis of Preparation**

The Annual Report of Arrow Group ApS for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

Financial Statements for 2017 are presented in USD. The USD:DKK exchange rate as of year-end 2017 was 620.77 (2016: 705.28).

### **Merger with Arrow ApS**

Arrow Group ApS, has in 2017 merged with Arrow ApS, as these entities are both part of the Teva Pharmaceuticals group, this merger has been performed through the Book value method, as allowed by Danish financial reporting legislation.

As such comparative values have not been adjusted, in line with § 24 of the Danish Financial Statement Act; as the merger is concluded as representing a change in the entity's business activities.

The merger has resulted in an increase the entity's equity of USD 132,857, the year-end equity of Arrow ApS per the 2016 financial year.

### **Consolidated financial statements**

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

### **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.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the



## **Notes, Accounting Policies**

balance sheet date.

### **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**

### **Other external expenses**

Other external expenses comprise expenses for administration, office expenses, etc.

### **Gross profit/loss**

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

### **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

## **Notes, Accounting Policies**

joint taxation is allocated to enterprises in proportion to their taxable incomes.

### **Balance Sheet**

#### **Investments in subsidiaries**

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

#### **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.

#### **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 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.