

# **Varian Medical Systems Scandinavia A/S**

**CVR-number 29 47 60 12**

**Lyskær 9**

**2730 Herlev**

## **Financial Statements for the Period 1 October 2016 - 30 September 2017**

The Financial Statements were presented  
and adopted at the Annual General Meeting  
of the Company on 12<sup>th</sup> December 2017

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**Chairman**

Jørgen Kjergaard Madsen

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## **Management's Statement on the Annual Report**

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Varian Medical Systems Scandinavia AS for the financial year 2016/2017.

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

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

In our opinion, the Annual Report give a true and fair view of the financial position at 30 September 2017 of the Company operations for 2016/2017.

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

Herlev, 12<sup>th</sup> December 2017

### **Executive Board**

Sten Hornsleth

### **Supervisory Board**

Michael Sandhu  
Chairman

Jørgen Kjergaard Madsen

Vagn Thorup

# Independent Auditor's Report

To the Shareholders of Varian Medical Systems Scandinavia A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 September 2017, and of the results of the Company's operations for the financial year 1 October 2016 - 30 September 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Varian Medical Systems Scandinavia A/S for the financial year 1 October 2016 - 30 September 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies.

## 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.

## 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 judgment and maintain professional skepticism throughout the audit. We also:

## Independent Auditor's Report

- 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, 12<sup>th</sup> December 2017

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Jesper Wiinholt  
State Authorised Public Accountant

Ferass Hamade  
State Authorised Public Accountant

## Company Information

<b>The Company</b>	Varian Medical Systems Scandinavia A/S Lyskær 9 DK-2730 Herlev CVR-nr. 29 47 60 12 Municipality of domicile: Herlev
<b>Supervisory Board</b>	Michael Sandhu, Chairman Jørgen Kjergaard Madsen Vagn Thorup
<b>Executive Board</b>	Sten Hornsleth, CEO
<b>Auditors</b>	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup
<b>Bankers</b>	Danske Bank Holmens Kanal 2 - 12 DK-1092 København K
<b>Lawyers</b>	KromanReumert Sundkrogsgade 5 DK-2100 København Ø

## Financial Highlights

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

	<u>2016/2017</u>	<u>2015/2016</u>	<u>2014/2015</u>	<u>2013/2014</u>	<u>2012/2013</u>
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
<b>Key figures</b>					
<b>Income Statement</b>					
Revenue	154,449	232,269	229,294	227,997	215,153
Gross profit	29,674	42,096	42,434	45,729	45,049
Profit/(loss) before financial income and expenses	12,885	24,794	22,395	26,170	26,135
Net financials	5,257	1,345	5,254	139	2,073
Profit/(loss) for the year	6,318	19,930	21,140	19,813	18,101
<b>Balance sheet</b>					
Investment in fixed assets	745	131	689	1,375	577
Balance sheet total	278,705	200,978	271,760	183,721	142,524
Equity	55,149	68,831	56,901	55,761	41,949
<b>Number of employees</b>	45	37	38	37	36
<b>Ratios</b>					
Gross margin	19.2	18.1	18.5	20.1	20.9
Profit margin	8.3	10.7	9.8	11.5	12.1
Return on net assets	4.6	12.3	8.2	14.2	18.3
Solvency ratio	19.8	34.2	20.9	30.4	29.4
Return on equity	10.2	31.7	37.5	40.6	39.6

For definitions, see under accounting policies.

## **Review**

### **Main activity**

The Company's activities consist of sale and service of oncology systems within Scandinavia and Iceland. The business is run from rented premises at Herlev. The company has a permanent establishment in Sweden.

### **Development in the year**

The Company's result and financial development exceeded expectations and is considered satisfactory. The result for the year was a profit of DKK 6,318,258 against DKK 19,929,631 in 2015/2016. The company has established an office at the Danish Centre for Particle Therapy in Aarhus.

### **Post-balance sheet events**

After the balance sheet date, no significant events have occurred which are considered to have a material influence on the assessment of the Annual Report.

### **The expected development**

It is assumed that revenue and results for the financial year 2017/2018 will end higher than reported for the financial year 2016/2017.

### **Financial risks**

Credit facility etc. up to DKK 209 million at Danske Bank is guaranteed by the Company's Parent Company.

### **Special risks**

Revenue and thereby results are affected by political grants as the Company's customers are mainly public hospitals. Moreover, the exchange rate development between the Nordic currencies and the USD is of importance to the results. The Company does not hedge the currency positions.



# Accounting Policies

## Basis of preparation

The Annual Report of Varian Medical Systems Scandinavia AS for the financial year 1 October 2016 – 30 September 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

## Recognition and measurement

The financial statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised costs 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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

## Translation policies

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

## Income Statement

### Revenue

Revenue is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined and
- payment has been received or may with reasonable certainty be expected to be received.

Revenue collected on behalf of a principal is not recognised as revenue. Instead the commission which the company receives from the principal is recognised and there is no gross presentation of the full selling price and the related costs of sales.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

## Accounting Policies

### Cost of sales

As in previous years, cost of sales consists of cost prices of the equipment delivered plus customs and costs of transportation to the place of business as well as expenses for installations and guarantee services. Direct delivery charges and expenses for training of customers in the application of the equipment are also included in cost of sales.

### Segment reporting

For competitive reasons the Company has chosen not to specify information on segments.

### Sales and marketing expenses

Sales and marketing expenses comprise the salary, staff, travelling and external expenses directly related to the sales and marketing activity.

### Administrative and sundry indirect expenses

Administrative and sundry indirect expenses comprise salaries, stationery and other external expenses.

### Financial income and expenses

Financial income and expenses comprise interest and realized and unrealized exchange rate adjustments.

## Balance Sheet

### Property, plant and equipment

Property, plant and equipment are measured at cost less any accumulated depreciation. Depreciation is made on a straight line basis as follows:

Fixtures, fittings, tools and equipment	3-5 years
Leasehold improvements	5 years
Motor Vehicles	5 years

### Inventories

Inventories are measured under the FIFO principle at cost with addition of costs of transportation to the place of business. Considering the date of acquisition, write-down has been made to meet losses due to technical obsolescence.

### 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.

### Prepayments

Prepayments recognised in assets include expenses incurred in respect of subsequent financial years, typically prepaid rent, insurance premiums, subscriptions, etc. as well as fair value adjustments of derivative financial instruments with a positive fair value.

## Equity

### Dividend

Dividend is recognised as a liability at the time of adoption at the Annual General Meeting. Dividend expected to be distributed for the year is disclosed as a separate equity item.

## Accounting Policies

### Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

### Financial debts

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

### Deferred income and other debt

Deferred income recognised as debt comprises payments received concerning income in subsequent years and fair value adjustments of derivative financial instruments with a negative fair value.

### Accounts in foreign currencies

Assets and liabilities in foreign currencies are translated into Danish kroner at the official rates of exchange on the balance sheet date.

### Corporation tax and deferred tax

Tax for the year consists of current tax for the year and 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 entries is recognised directly in equity. Any share of the tax reported in the income statement arising from profit/loss on extraordinary activities for the year is attributed to such activities, whereas the remaining share is attributed to profit/loss on ordinary activities for the year.

Current tax is calculated at the tax rate applying for the year.

Current tax receivables are recognised in receivables in the balance sheet in the event of overpayment, while current tax liabilities are recognised in short-term debt in the event of non-payment.

Deferred tax is recognised in the balance sheet as the tax on all temporary differences. Deferred tax is calculated at the tax rate which, based on legislation passed before the end of the financial year, will apply at the time when it is expected to be realised.

Deferred tax assets are recognised at the value at which they are expected to be realised.

## Cash Flow Statement

In pursuance of section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared as the cash flow statement is included in the Consolidated Financial Statements of the Company's Parent Company.

## Accounting Policies

### Financial ratios

The financial ratios have been calculated in accordance with the guidelines issued by the Danish Society of Financial Analysts.

The financial ratios have been calculated as follows:

<i>Gross margin</i>	=	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
<i>Profit margin</i>	=	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
<i>Return on net assets</i>	=	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
<i>Solvency ratio</i>	=	$\frac{\text{Equity at year - end} \times 100}{\text{Total assets}}$
<i>Return on equity</i>	=	$\frac{\text{Net profit for the year} \times 100}{(\text{Equity at year - end} + \text{Equity at year start})/2}$

## Income Statement 1 October - 30 September

	Note	2016/2017 DKK	2015/2016 DKK
<b>Revenue</b>		<b>154.448.928</b>	<b>232.269.413</b>
Cost of sales	1	-124.774.490	-190.173.794
<b>Gross profit</b>		<b>29.674.438</b>	<b>42.095.619</b>
Sales and marketing expenses	1	-12.466.470	-13.607.166
Administration and sundry indirect expenses	1	-4.323.423	-3.694.170
<b>Profit before financial income and expenses</b>		<b>12.884.545</b>	<b>24.794.283</b>
Financial income	2	1.241.136	3.737.494
Financial expenses	3	-6.498.082	-2.392.142
<b>Profit before tax</b>		<b>7.627.599</b>	<b>26.139.635</b>
Tax on the profit for the year	4	-1.309.341	-6.210.004
<b>Net profit for the year</b>		<b>6.318.258</b>	<b>19.929.631</b>
<b>Proposed distribution of profit</b>			
Retained earnings		54.399.344	68.081.086
Proposed dividend for the year		-20.000.000	-20.000.000
		<b>34.399.344</b>	<b>48.081.086</b>

## Balance Sheet at 30 September

<b>Assets</b>	<b>Note</b>	<b>2016/2017</b>	<b>2015/2016</b>
		DKK	DKK
Fixtures, fittings, tools and equipment		962.599	678.624
Leasehold improvements		167.802	383.021
<b>Property, plant and equipment</b>	<b>5</b>	<b>1.130.401</b>	<b>1.061.645</b>
Deposits		324.157	316.251
<b>Fixed asset investments</b>		<b>324.157</b>	<b>316.251</b>
<b>Fixed assets</b>		<b>1.454.558</b>	<b>1.377.896</b>
<b>Inventories</b>		<b>26.772.024</b>	<b>13.673.855</b>
Trade receivables		91.252.954	14.371.782
Receivables from group enterprises		9.846.851	11.290.628
Corporation tax	4	1.330.812	0
Other receivables		69.025.136	64.401.488
<b>Receivables</b>		<b>171.455.753</b>	<b>90.063.898</b>
<b>Cash at bank and in hand</b>		<b>79.022.448</b>	<b>95.862.784</b>
<b>Current assets</b>		<b>277.250.225</b>	<b>199.600.537</b>
<b>Assets</b>		<b>278.704.783</b>	<b>200.978.433</b>

## Balance Sheet at 30 September

### Liabilities and equity

	Note	2016/2017 DKK	2015/2016 DKK
Share capital	6	750.000	750.000
Retained earnings		34.399.344	48.081.086
Proposed dividend of the year		20.000.000	20.000.000
<b>Equity</b>		<b>55.149.344</b>	<b>68.831.086</b>
Deferred tax	7	41.233	58.950
Other provisions	8	5.152.410	8.026.768
<b>Provisions</b>		<b>5.193.643</b>	<b>8.085.718</b>
Trade payables		1.844.781	501.010
Payables to group enterprises		161.569.126	76.905.888
Corporation tax		0	5.758.718
Accrued expenses		32.407.060	17.401.478
Other payables		22.540.829	23.494.535
<b>Current debt</b>		<b>218.361.796</b>	<b>124.061.629</b>
<b>Debt</b>		<b>218.361.796</b>	<b>124.061.629</b>
<b>Liabilities and equity</b>		<b>278.704.783</b>	<b>200.978.433</b>
Contingent liabilities and security	9		
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## Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK
<b>Equity at 1 October</b>	<b>750.000</b>	<b>48.081.086</b>	<b>20.000.000</b>	<b>68.831.086</b>
Adjusted equity at 1 October	750.000	48.081.086	20.000.000	68.831.086
Dividends distributed	0	0	-20.000.000	-20.000.000
Net profit for the year	0	6.318.258	0	6.318.258
Proposed dividend for the year	0	-20.000.000	20.000.000	0
<b>Equity at 30 September</b>	<b>750.000</b>	<b>34.399.344</b>	<b>20.000.000</b>	<b>55.149.344</b>



## Notes to the Annual Report

	2016/2017	2015/2016
	DKK	DKK
<b>1 Staff expenses</b>		
Wages and salaries	37.255.399	33.104.303
Other expenses for social security and pensions	3.978.668	3.348.744
	<b>41.234.067</b>	<b>36.453.047</b>
The amount is distributed on the items "Cost of Sales", "Sales and marketing expenses" and "Administration and sundry indirect expenses" in the Income Statement.		
In pursuance of section 98b(3) of the Danish Financial Statements Act, the remuneration to the Executive Board is not stated.		
Directors' fees of DKK 120,000 have been paid.		
<b>Average number of employees</b>	<b>45</b>	<b>37</b>
<b>2 Financial income</b>		
Interest income	399.621	30.587
Exchange gains	841.515	3.706.907
	<b>1.241.136</b>	<b>3.737.494</b>
<b>3 Financial expenses</b>		
Interest expenses	7.193	407
Exchange losses	6.490.889	2.391.735
	<b>6.498.082</b>	<b>2.392.142</b>
<b>4 Tax for the year</b>		
Adjustment, previous years	-394.486	15.901
Calculated corporation tax for the year	1.721.544	6.577.486
Adjustment of deferred tax	-17.717	-383.383
	<b>1.309.341</b>	<b>6.210.004</b>

## Notes to the Annual Report

### 5 Property, plant and equipment

	Fixtures, fittings, tools and equipment	Motor vehicles	Leasehold improvements	Total
	DKK	DKK	DKK	DKK
Cost at 1 October	4.307.590	13.420	914.825	5.235.835
Additions during the year	745.096	0	0	745.096
Disposals during the year	-544.291	-13.420	0	-557.711
Cost at 30 September	4.508.395	0	914.825	5.423.220
Depreciation and impairment at 1 October	3.628.966	13.420	531.804	4.174.190
Depreciation	424.841	0	215.219	640.060
Reversal of depreciation of disposals for the year	-508.011	-13.420	0	-521.431
Depreciation and impairment at 30 September	3.545.796	0	747.023	4.292.819
<b>Carrying amount at 30 September</b>	<b>962.599</b>	<b>0</b>	<b>167.802</b>	<b>1.130.401</b>
Depreciated over	3 - 5 år <i>3-5 years</i>	5 år <i>5 years</i>	5 år <i>5 years</i>	

## Notes to the Annual Report

	2016/2017	2015/2016
	DKK	DKK
<b>5 Property, plant and equipment (continued)</b>		
The depreciation for the year is distributed on the following items in the Income Statement:		
Cost of sales	591.771	643.095
Sales and marketing expenses	20.853	45.511
Administration and sundry indirect expenses	27.436	37.665
	<b>640.060</b>	<b>726.271</b>
<b>6 Share capital</b>		
The share capital consists of 75 shares of a nominal amount of DKK 10,000 or multiples hereof.		
No shares carry any special rights.		
<b>7 Deferred tax assets</b>		
Deferred tax at 1 October	-58.950	-442.333
Deferred tax for the year	17.717	383.383
<b>Deferred tax at 30 September</b>	<b>-41.233</b>	<b>-58.950</b>
<b>8 Other provisions</b>		
Warranty obligations	5.152.410	8.026.768
<b>Other provisions at 30 September</b>	<b>5.152.410</b>	<b>8.026.768</b>

The warranty obligations are guarantees granted in connection with sales of systems.  
The guarantees typically run for 12 months after delivery.

## Notes to the Annual Report

### 9 Contingent liabilities and security

The Company has undertaken lease obligations which run until 2021.

The total lease obligations amount to kDKK 2.680 of which kDKK 1.520 falls due within 1 year and kDKK 1.160 falls due within 1 - 5 years.

The Company has issued third party guarantees of kDKK 140.095

### 10 Related parties and ownership

#### Controlling interest

#### Basis

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Varian Medical Systems International Holdings Inc. Palo Alto, Californien, USA	Parent Company
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#### Significant influence

The Executive and Supervisory Boards exercise significant influence by their managerial duties in the Company.

#### Transactions

As part of the ordinary operation of the Company, trade has been effected with related enterprises and shareholders with significant influence. The trade has been effected on an arm's length basis.

Apart from the below transactions in the financial year within the group, there have been no transactions with the Supervisory Board, the Executive Board, senior employees, significant shareholders, group enterprises or other related parties, except for normal management remuneration and fee for legal advisory services.

## Notes to the Annual Report

### 10 Related parties and ownership (continued)

	<u>Country</u>	<u>Purchase</u>	<u>Sale</u>
		<u>DKK '000</u>	<u>DKK '000</u>
VMS, Inc.	USA	52.876	1.174
VMS UK Ltd.	UK	2.553	1.510
VMS International A.G.	Switzerland	31.717	6.737
VMS Nederland B.V.	The Netherlands	163	52
VMS Belgium NV	Belgium	1.075	164
VMS Deutschland GmbH	Germany	800	601
VMS GesmbH	Østrig/Austria		60
VMS Finland OY	Finland	121	1.368
VMS India Pvt. Ltd.	India	78	196
VMS Iberica S.L.	Spain	104	16
VMS Iberica Surcursal	Portugal		40
VMS Haan GmbH	Tyskland/Germa	714	
VMS Particle Therapy GmbH	Germany	55.650	8.668
VMS France	France	463	53
VMS Italia, S.p.A.	Italy	44	
VMS Arabia LLC	Saudi Arabia		23

VMS is used as abbreviation for Varian Medical Systems.

#### Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Varian Medical Systems Nederland B.V., Houten, Holland

### 11 The Group

The Company's ultimate Parent Company, which prepares Consolidated Financial Statements in which the Company is included as a subsidiary, is Varian Medical Systems Inc., Palo Alto,

The Annual Report of the Parent Company can be obtained at the Company's address.