

Varian Medical Systems Scandinavia AS

CVR-number 29 47 60 12

**Financial Statements for the Period
1 October 2015 - 30 September 2016**

The Financial Statements were presented
and adopted at the Annual General Meeting
of the Company on 28th February 2017



Chairman

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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 2015/2016.

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

In our opinion, the Annual Report give a true and fair view of the financial position at 30 September 2016 of the Company operations for 2015/2016.

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

Herlev, 28th February 2017

Executive Board

A handwritten signature in blue ink, appearing to be 'Sten Hornsleth', written over a horizontal line.

Sten Hornsleth

Supervisory Board

Michael Sandhu
Chairman

A large, stylized handwritten signature in blue ink, appearing to be 'Jørgen Kjergaard Madsen'.

Jørgen Kjergaard Madsen

Vagn Thorup

Independent Auditor's Report

To the Shareholders of Varian Medical Systems Scandinavia AS

Report on the Financial Statements

We have audited the Financial Statements of Varian Medical Systems Scandinavia AS for the financial year 1 October 2015 – 30 September 2016, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 September 2016 and of the results of the Company operations for the financial year 1 October 2015 - 30 September 2016 in accordance with the Danish Financial Statements Act.

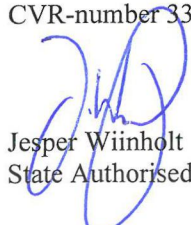
Independent Auditor's Report

Statement on Management's Review

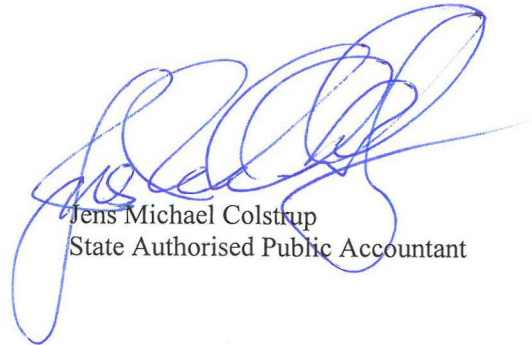
We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Financial Statements.

Copenhagen, 28th February 2017

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-number 33 77 12 31



Jesper Wiinholt
State Authorised Public Accountant



Jens Michael Colstrup
State Authorised Public Accountant

Company Information

The Company	Varian Medical Systems Scandinavia AS Lyskær 9 DK-2730 Herlev CVR-nr. 29 47 60 12 Municipality of domicile: Herlev
Supervisory Board	Michael Sandhu, Chairman Jørgen Kjergaard Madsen Vagn Thorup
Executive Board	Sten Hornsleth, CEO
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup
Bankers	Danske Bank Holmens Kanal 2 - 12 DK-1092 København K
Lawyers	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>2015/2016</u>	<u>2014/2015</u>	<u>2013/2014</u>	<u>2012/2013</u>	<u>2011/2012</u>
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Key figures					
Income Statement					
Revenue	232.269	229,294	227,997	215,153	289,320
Gross profit	42,096	42,434	45,729	45,049	33,708
Profit/(loss) before financial income and expenses	24,794	22,395	26,170	26,135	12,604
Net financials	1.345	5,254	139	2,073	3,888
Profit/(loss) for the year	19.930	21,140	19,813	18,101	12,303
Balance sheet					
Investment in fixed assets	131	689	1,375	577	178
Balance sheet total	200,978	271,760	183,721	142,524	143,885
Equity	68,831	56,901	55,761	41,949	49,448
Number of employees	37	38	37	36	37
Ratios					
Gross margin	18.1	18.5	20.1	20.9	11.7
Profit margin	10.7	9.8	11.5	12.1	4.4
Return on net assets	12.3	8.2	14.2	18.3	8.8
Solvency ratio	34.2	20.9	30.4	29.4	34.4
Return on equity	31.7	37.5	40.6	39.6	28.4

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 19,929,631 against DKK 21,139,963 in 2014/2015.

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 2016/2017 will end higher than reported for the financial year 2015/2016.

The company has signed a contract for the supply of equipment and services to the Danish Centre for Particle Therapy in Aarhus in 2017 and thus expects increased activity in the long run.

Financial risks

Credit facility etc. up to DKK 140 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 2015 – 30 September 2016 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
IT-equipment	3-4 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	2015/2016 DKK	2014/2015 DKK
Revenue		232.269.413	229.293.695
Cost of sales	1	-190.173.794	-186.859.542
Gross profit		42.095.619	42.434.153
Sales and marketing expenses	1	-13.607.166	-16.397.911
Administration and sundry indirect expenses	1	-3.694.170	-3.640.903
Profit before financial income and expenses		24.794.283	22.395.339
Financial income	2	3.737.494	5.560.116
Financial expenses	3	-2.392.142	-306.179
Profit before tax		26.139.635	27.649.276
Tax on the profit for the year	4	-6.210.004	-6.509.313
Net profit for the year		19.929.631	21.139.963
Proposed distribution of profit			
Retained earnings		68.081.086	56.151.455
Proposed dividend for the year		-20.000.000	-8.000.000
		48.081.086	48.151.455

Balance Sheet at 30 September

Assets	Note	2015/2016	2014/2015
		DKK	DKK
Fixtures, fittings, tools and equipment		678.624	1.033.732
Leasehold improvements		383.021	628.093
Property, plant and equipment	5	1.061.645	1.661.825
Deposits		316.251	308.538
Fixed asset investments		316.251	308.538
Fixed assets		1.377.896	1.970.363
Inventories		13.673.855	52.022.957
Trade receivables		14.371.782	30.762.589
Receivables from group enterprises		11.290.628	11.364.094
Deferred tax assets	7	0	0
Other receivables		64.401.488	84.286.335
Receivables		90.063.898	126.413.018
Cash at bank and in hand		95.862.784	91.353.645
Current assets		199.600.537	269.789.620
Assets		200.978.433	271.759.983

Balance Sheet at 30 September

Liabilities and equity

	Note	2015/2016 DKK	2014/2015 DKK
Share capital	6	750.000	750.000
Retained earnings		48.081.086	48.151.455
Proposed dividend of the year		20.000.000	8.000.000
Equity		68.831.086	56.901.455
Deferred tax	7	58.950	442.333
Other provisions	8	8.026.768	6.799.222
Provisions		8.085.718	7.241.555
Prepayments and contract prepayments from customers		0	116.112.569
Trade payables		501.010	764.825
Payables to group enterprises		76.905.888	28.730.516
Corporation tax		5.758.718	4.574.385
Accrued expenses		17.401.478	22.554.233
Other payables		23.494.535	34.880.445
Current debt		124.061.629	207.616.973
Debt		124.061.629	207.616.973
Liabilities and equity		200.978.433	271.759.983
Contingent liabilities and security	9		
Related parties and ownership	10		
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Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK
Equity at 1 October	750.000	48.151.455	8.000.000	56.901.455
Adjusted equity at 1 October	750.000	48.151.455	8.000.000	56.901.455
Dividends distributed	0	0	-8.000.000	-8.000.000
Net profit for the year	0	19.929.631	0	19.929.631
Proposed dividend for the year	0	-20.000.000	20.000.000	0
Equity at 30 September	750.000	48.081.086	20.000.000	68.831.086

Notes to the Annual Report

	2015/2016	2014/2015
	DKK	DKK
1 Staff expenses		
Wages and salaries	33.104.303	32.051.667
Other expenses for social security and pensions	3.348.744	3.557.049
	36.453.047	35.608.716
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.		
Average number of employees	37	38
2 Financial income		
Interest income	30.587	79.432
Exchange gains	3.706.907	5.480.684
	3.737.494	5.560.116
3 Financial expenses		
Interest expenses	407	1.989
Exchange losses	2.391.735	304.190
	2.392.142	306.179
4 Tax for the year		
Adjustment, previous years	15.901	36.615
Calculated corporation tax for the year	6.577.486	5.774.115
Adjustment of deferred tax previous years	0	17.628
Adjustment of deferred tax	-383.383	680.955
	6.210.004	6.509.313

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	4.412.529	13.420	914.825	5.340.774
Additions during the year	130.718	0	0	130.718
Disposals during the year	-235.657	0	0	-235.657
Cost at 30 September	4.307.590	13.420	914.825	5.235.835
Depreciation and impairment at 1 October	3.378.797	13.420	286.732	3.678.949
Depreciation	481.199	0	245.072	726.271
Reversal of depreciation of disposals for the year	-231.030	0		-231.030
Depreciation and impairment at 30 September	3.628.966	13.420	531.804	4.174.190
Carrying amount at 30 September	678.624	0	383.021	1.061.645
Depreciated over	3 - 5 år 3-5 years	5 år 5 years	5 år 5 years	

Notes to the Annual Report

	2015/2016	2014/2015
	DKK	DKK
5 Property, plant and equipment (continued)		
The depreciation for the year is distributed on the following items in the Income Statement:		
Cost of sales	643.095	577.510
Sales and marketing expenses	45.511	51.873
Administration and sundry indirect expenses	37.665	38.870
	<u>726.271</u>	<u>668.253</u>
6 Share capital		
The share capital consists of 75 shares of a nominal amount of DKK 10,000 or multiples hereof. No shares carry any special rights.		
7 Deferred tax assets		
Deferred tax at 1 October	-442.333	256.250
Adjustment, tax-year 2014	0	-17.628
Deferred tax for the year	383.383	-680.955
Deferred tax at 30 September	<u>-58.950</u>	<u>-442.333</u>
8 Other provisions		
Warranty obligations	8.026.768	6.799.222
Other provisions at 30 September	<u>8.026.768</u>	<u>6.799.222</u>

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 2020.

The total lease obligations amount to kDKK 3.672 of which kDKK 1.364 falls due within 1 year and kDKK 2.308 falls due within 1 - 5 years.

The Company has issued third party guarantees of kDKK 144.278

10 Related parties and ownership

Controlling interest

Basis

Varian Medical Systems International Holdings Inc.
Palo Alto, Californien, USA

Parent Company

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>
		DKK '000	DKK '000
VMS, Inc.	USA	68.964	815
VMS UK Ltd.	UK	8.501	682
VMS International A.G.	Switzerland	37.085	6.969
VMS Nederland B.V.	The Netherlands	150	11
VMS Belgium NV	Belgium	211	189
VMS Deutschland GmbH	Germany	890	781
VMS GesmbH	Østrig/Austria		2
VMS Finland OY	Finland	155	2.596
VMS Australia Pty Ltd	Australien/Austr		8
VMS India Pvt. Ltd.	India	131	34
VMS Iberica S.L.	Spain	14	92
VMS Particle Therapy GmbH	Germany		1.357
VMS France	France	556	85
VMS Italia, S.p.A.	Italy	14	3.899
VMS Arabia LLC	Saudi Arabia		39

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.