
Varian Medical Systems Scandinavia A/S

Borupvang 9, DK-2750 Ballerup

Annual Report for 1 October 2020 - 30 September 2021

CVR No 29 47 60 12

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
28/3 2022

Michelle Dawn Cook
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Varian Medical Systems Scandinavia A/S for the financial year 1 October 2020 - 30 September 2021.

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 30 September 2021 of the Company and of the results of the Company operations for 2020/21.

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.

Ballerup, 28 March 2022

Executive Board

Ole Hagen Laustsen
CEO

Board of Directors

Michelle Dawn Cook
Chairman

Julie Young Wong

Nicholas John Moritz

Independent Auditor's Report

To the Shareholder of Varian Medical Systems Scandinavia A/S

Opinion

We have audited the Financial Statements of Varian Medical Systems Scandinavia A/S for the financial year 1 October 2020 - 30 September 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The Financial Statements are 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 of the Company at 30 September 2021 and of the results of the Company's operations for the financial year 1 October 2020 - 30 September 2021 in accordance with the Danish Financial Statements Act.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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.

Independent Auditor's Report

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.

Independent Auditor's Report

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, 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.

Copenhagen, 28 March 2022

EY Godkendt Revisionspartnerselskab

CVR No 30 70 02 28

Thomas Bruun Kofoed
State Authorised Public Accountant
mne28677

Company Information

The Company

Varian Medical Systems Scandinavia A/S
Borupvang 9
DK-2750 Ballerup

CVR No: 29 47 60 12
Financial period: 1 October - 30 September
Municipality of reg. office: Ballerup

Board of Directors

Michelle Dawn Cook, Chairman
Julie Young Wong
Nicholas John Moritz

Executive Board

Ole Hagen Laustsen

Auditors

EY Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
DK-2000 Frederiksberg

Financial Highlights

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

	2020/21 TDKK	2019/20 TDKK	2018/19 TDKK	2017/18 TDKK	2016/17 TDKK
Key figures					
Profit/loss					
Revenue	250.949	318.695	369.710	354.293	154.449
Gross profit/loss	53.115	67.373	61.915	50.292	29.674
Profit/loss before financial income and expenses	27.812	36.665	27.173	21.717	12.885
Net financials	871	-464	2.875	-1.136	-5.257
Net profit/loss for the year	22.011	28.387	23.420	16.021	6.318
Balance sheet					
Balance sheet total	224.973	259.764	373.510	388.541	278.705
Equity	50.935	44.269	32.619	53.699	55.149
Investment in property, plant and equipment	374	410	146	1.159	745
Number of employees	48	50	47	48	45
Ratios					
Gross margin	21,2%	21,1%	16,7%	14,2%	19,2%
Profit margin	11,1%	11,5%	7,3%	6,1%	8,3%
Return on assets	12,4%	14,1%	7,3%	5,6%	4,6%
Solvency ratio	22,6%	17,0%	8,7%	13,8%	19,8%
Return on equity	46,2%	73,8%	54,3%	29,4%	10,2%

For definitions, see under accounting policies.

Financial highlights from before 2017/2018 have not been restated after change in accounting policies.

Management's Review

Key activities

The Company's activities consist of sale and service of oncology systems within Scandinavia and Iceland. The business is run from rented premises at Ballerup. The Company has a permanent establishment in Sweden and has an office at the Danish Centre for Particle Therapy in Aarhus.

Development in the year

As expected both profit and revenue in the year has decreased compared to previous fiscal year. The income statement of the Company for 2020/21 shows a revenue 250,949 TDKK compared to 2019/20 318,695 TDKK and a profit for 2020/21 22,011 TDKK compared to 2019/20 28,387 TDKK.

The expected development

It is assumed that revenue for the financial year 2021/22 will be at level with the reported for the financial year 2020/21, however management expects profit after tax to decrease of approximately 30% for 2021/22.

Financial risks

Credit facility etc. up to DKK 80 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.

Research and development

The Company does not carry out its own research and development, but is indirectly involved in the group's research and development activities.

Intellectual capital resources

As a company delivering advanced hospital equipment it is essential for the Company's continued growth to attract and retain highly skilled workforce in sales, installation, training, service and administration. Through a comprehensive internally compulsory course program, it is ensured that employees' knowledge is constantly maintained and expanded.

Statement of corporate social responsibility

For information on our statutory reporting on corporate social responsibility, refer to <https://www.siemens-healthineers.com/company/sustainability>

Management's Review

Statement on gender composition

As required in section 99b of the Danish Financial Statements Act, the Company believes that diversity among employees, including gender distribution, contributes positively to the working environment and strengthens the company performance and competitiveness. We have in the financial year 2019/20 increased the number of female members of the Board of Directors. Currently Board of Directors are two females and one male.

Subsequent events

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

Income Statement 1 October - 30 September

	Note	2020/21 DKK	2019/20 DKK
Revenue	1	250.948.977	318.695.284
Cost of sales	2	-197.833.913	-251.322.189
Gross profit/loss		53.115.064	67.373.095
Distribution expenses	2	-21.080.844	-26.249.853
Administrative expenses	2	-4.222.445	-4.458.646
Operating profit/loss		27.811.775	36.664.596
Financial income	3	1.232.728	750.374
Financial expenses	4	-362.083	-1.214.361
Profit/loss before tax		28.682.420	36.200.609
Tax on profit/loss for the year	5	-6.671.226	-7.814.112
Net profit/loss for the year		22.011.194	28.386.497

Distribution of profit

Proposed distribution of profit

Extraordinary dividend paid	15.345.500	0
Proposed dividend for the year	22.600.000	0
Retained earnings	-15.934.306	28.386.497
	22.011.194	28.386.497

Balance Sheet 30 September

Assets

	Note	2020/21 DKK	2019/20 DKK
Other fixtures and fittings, tools and equipment		770.903	882.552
Leasehold improvements		102.475	183.268
Property, plant and equipment	6	873.378	1.065.820
Deposits		431.820	431.820
Financial assets	7	431.820	431.820
Fixed assets		1.305.198	1.497.640
Inventories		23.701.517	41.041.869
Trade receivables		48.332.735	55.943.730
Receivables from group enterprises		17.136.892	12.415.852
Other receivables		1.935.120	4.630.851
Deferred tax asset	8	162.377	160.898
Unbilled receivables		34.715.141	73.713.016
Receivables		102.282.265	146.864.347
Cash at bank and in hand		97.684.355	70.360.038
Currents assets		223.668.137	258.266.254
Assets		224.973.335	259.763.894

Balance Sheet 30 September

Liabilities and equity

	Note	2020/21 DKK	2019/20 DKK
Share capital		750.000	750.000
Retained earnings		27.584.704	43.519.010
Proposed dividend for the year		22.600.000	0
Equity		50.934.704	44.269.010
Other provisions	9	7.075.194	9.130.928
Provisions		7.075.194	9.130.928
Corporation tax		3.136.525	4.365.451
Other payables		18.707.744	0
Long-term debt		21.844.269	4.365.451
Trade payables		14.852.620	1.053.740
Payables to group enterprises		38.427.001	103.439.317
Corporation tax		4.365.451	2.268.532
Other payables		21.002.748	22.500.729
Deferred income		66.471.348	72.736.187
Short-term debt		145.119.168	201.998.505
Debt		166.963.437	206.363.956
Liabilities and equity		224.973.335	259.763.894
Contingent assets, liabilities and other financial obligations	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	43.519.010	0	44.269.010
Extraordinary dividend paid	0	-15.345.500	0	-15.345.500
Net profit/loss for the year	0	-588.806	22.600.000	22.011.194
Equity at 30 September	750.000	27.584.704	22.600.000	50.934.704

Notes to the Financial Statements

	2020/21 DKK	2019/20 DKK
1 Revenue		
Geographical segments		
Revenue, Denmark	79.612.204	162.743.757
Revenue, exports	171.336.773	155.951.527
	250.948.977	318.695.284
Business segments		
Systems	114.010.250	182.730.202
Services	131.952.710	131.291.700
Other	4.986.017	4.673.382
	250.948.977	318.695.284
2 Staff		
Wages and Salaries	40.404.235	41.736.463
Other expenses for social security and pensions	6.272.118	4.098.509
	46.676.353	45.834.972
Average number of employees	48	50
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
3 Financial income		
Other financial income	28	750.374
Exchange adjustments	1.232.700	0
	1.232.728	750.374

Notes to the Financial Statements

	2020/21 DKK	2019/20 DKK
4 Financial expenses		
Other financial expenses	362.083	279.043
Exchange adjustments, expenses	0	935.318
	362.083	1.214.361
5 Tax on profit/loss for the year		
Current tax for the year	6.288.458	7.805.600
Deferred tax for the year	-1.479	8.512
Adjustment of tax concerning previous years	384.247	0
	6.671.226	7.814.112
6 Property, plant and equipment		
	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost at 1 October	5.245.801	1.251.364
Additions for the year	374.202	0
Cost at 30 September	5.620.003	1.251.364
Impairment losses and depreciation at 1 October	4.363.249	1.068.096
Depreciation for the year	485.851	80.793
Impairment losses and depreciation at 30 September	4.849.100	1.148.889
Carrying amount at 30 September	770.903	102.475
Depreciated over	3-5 years	5 years

Notes to the Financial Statements

6 Property, plant and equipment (continued)

	2020/21 DKK	2019/20 DKK
Depreciation and impairment of property, plant and equipment are recognised in the following items:		
Cost of sales, depreciation	460.736	530.726
Sales and marketing expenses, depreciation	878	11.709
Administrative expenses, depreciation	105.030	8.835
	566.644	551.270

7 Fixed asset investments

	Deposits DKK
Cost at 1 October	431.820
Cost at 30 September	431.820
Carrying amount at 30 September	431.820

8 Deferred tax asset

Deferred tax asset at 1 October	160.898	169.410
Amounts recognised in the income statement for the year	1.479	-8.512
Deferred tax asset at 30 September	162.377	160.898

9 Other provisions

The warranty obligations are guarantees granted in connection with sales of systems.

The guarantees typically run for 12 months after delivery.

Warranty obligations	7.075.194	9.130.928
Other provisions at 30 September	7.075.194	9.130.928

Notes to the Financial Statements

	2020/21 DKK	2019/20 DKK
10 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	902.073	945.502
Between 1 and 5 years	970.123	1.225.464
	1.872.196	2.170.966
Rental obligation, non-cancellability 6 months	442.615	411.012
Other contingent liabilities		
The Company has issued third party guarantees	75.567.916	62.879.025

11 Related parties

	Basis
Controlling interest	
Siemens Healthineers AG	Parent Company
Munich, Germany	

Notes to the Financial Statements

11 Related parties (continued)

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

During the year, the Company had the following transactions with its ultimate Parent Company and its subsidiaries:

Sale of goods to other group entities DKK 960k (2019/20: DKK 4,464k)

Sales of services to other group entities DKK 13,640k (2019/20: DKK 15,435k)

Sale of services to the parent company DKK 0k (2019/20: DKK 348k)

Purchase of goods from parent company DKK 0k (2019/20: DKK 120,482k)

Purchase of goods from other group entities DKK 204,110k (2019/20: DKK 181,440k)

Purchase of services from parent company DKK 0k (2019/20: DKK 4,068)

Purchase of services from other group entities DKK 29,630k (2019/20: DKK 21,071k)

Receivables from other group entities DKK 17,137k (2019/20: DKK 12,416k)

Payables to other group entities DKK 36,427k (2019/20: DKK 103,439k)

Ownership

The following shareholder is 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., Kokermolen 2, 3994 DH Houten, Holland

Notes to the Financial Statements

11 Related parties (continued)

Consolidated Financial Statements

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

Name	Place of registered office
Siemens Healthineers AG	Munich, Germany

The Group Annual Report of Siemens Healthineers AG may be obtained at the following address:

Wittelsbacherpl. 1, 80333, Munich, Germany

12 Fee to auditors appointed at the general meeting

	2020/21 DKK	2019/20 DKK
Audit fee	263.236	246.000
Other assurance engagements	0	75.000
	263.236	321.000

Notes to the Financial Statements

13 Accounting Policies

The Annual Report of Varian Medical Systems Scandinavia A/S for 2020/21 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 2020/21 are presented in DKK.

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 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.

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. 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.

Notes to the Financial Statements

13 Accounting Policies (continued)

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 Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

The revenues are derived primarily from the sale of radiotherapy and proton therapy hardware and software products, support, training and maintenance of all those products, installation services and the sale of parts. The Company accounts for a contract with a customer when there is approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. The Company's revenues are measured based on consideration specified in the contract with each customer.

The Company recognizes revenues as the performance obligations are satisfied by transferring control of the product or service to a customer. The majority of the Company's revenue arrangements consist of multiple performance obligations including hardware, software, and services. Determining the stand-alone selling price ("SSP") and allocation of consideration from an arrangement to the individual performance obligations, and the appropriate timing of revenue recognition are determined based on the Company's best estimates with respect to these arrangements. For bundled arrangements, the Company accounts for individual products and services separately if they are distinct, that is, if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it on its own or with other resources that are readily available to the customer. The consideration (including any discounts) is allocated between separate products and services in a bundle based on their individual SSP. The SSP is determined based on observable prices at which the Company separately sells the products and services. If an SSP is not directly observable, then the Company will estimate the SSP considering marketing conditions, entity-specific factors, and information about the customer or class of customer that is reasonably available.

Notes to the Financial Statements

13 Accounting Policies (continued)

The Company's linear accelerators are generally sold in a bundled arrangement with hardware and software accessory products that enhance efficiency and enable delivery of advanced radiotherapy and radio-surgery treatments; however, certain products are infrequently sold on a stand-alone basis. The majority of machine and software sales include installation services, training, warranty, and support services. Delivery of different performance obligations in a revenue arrangement often span more than one reporting period. For example, a linear accelerator and software may be delivered in one reporting period, but the related installation of those products may be completed in a later period. Hardware and software extended maintenance and service contracts are occasionally sold during the initial product sale, but the majority are sold separately near or at the end of the initial warranty period. Revenues related to extended warranty and service contracts are earned after the expiration of the initial warranty period.

Payment terms and conditions vary by contract type, although terms are generally commensurate with a significant milestone, such as contract signing, shipment, delivery, acceptance or service commencement.

Hardware products may include software that the hardware is dependent on and highly interrelated with and cannot operate without. The Company typically has a standard base configuration for its hardware products, but there are typically multiple options and configuration choices. Revenues from the sale of hardware are recognized when the Company transfers control to the customer. Product installation includes uncrating, moving the machine to the treatment room, connection and validating configuration.

In addition, a number of testing protocols are completed to confirm the equipment is performing to the contracted specifications. The Company recognizes revenues for hardware installation over time as the customer receives and consumes benefits provided as the Company performs the installation services.

Software products include information management, treatment planning, image processing, clinical knowledge exchange, patient care management, decision-making support, and practice management software. Software installation includes transferring software to the customer's computers, configuration of the software and potentially data migration. The Company recognizes revenues for on-premise software and software installation upon the customer's acceptance of the software and installation services.

Service revenues include revenues from initial and extended software support agreements, extended hardware warranty agreements, training, paid service arrangements when a customer does not have an extended warranty and parts that are sold by the service department. Revenues from hardware and software support agreements are accounted for ratably over the term of the agreement. Services and training revenues are recognized in the period the services and training are performed. Revenues for sales of parts are recognized when the parts are delivered to the customer and control is transferred.

Notes to the Financial Statements

13 Accounting Policies (continued)

The Company's sale of hardware includes a one-year warranty. The Company uses the cost accrual method to account for assurance-type warranties. The standard warranty provision further includes services in addition to an assurance-type warranty (for example, preventative maintenance inspections, help desk support, and when and if available operating system upgrades). These service-type warranty features are recorded as a separate performance obligation and recognized ratably over the oneyear warranty period.

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

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.

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 expenses

Administrative expenses comprise salaries, stationery and other external expenses.

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.

Notes to the Financial Statements

13 Accounting Policies (continued)

Balance Sheet

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
Leasehold improvements	5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

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.

Fixed asset investments

Fixed asset investments consist of deposit relating to rented premises.

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.

Notes to the Financial Statements

13 Accounting Policies (continued)

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.

Unbilled receivables

When either party to a contract with a customer has performed its contractual obligations, Varian presents a unbilled receivables or a deferred income depending on the relationship between Varian's performance and the customer's payment. Unbilled receivables primarily relate to the sale of goods for which transfer of control occurs before Varian has an unconditional right to consideration. Deferred income result mainly from customer advances on services and from prepayments for goods not yet shipped.

Receivables are recognized when the right to consideration becomes unconditional. Valuation allowances for credit risks are set up for contract assets and receivables according to the accounting policy for financial assets measured at amortized cost.

Equity

Dividend

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

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.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1 year. Provisions are measured and recognised based on experience with guarantee work.

Notes to the Financial Statements

13 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.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

13 Accounting Policies (continued)

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.

Financial Highlights

Explanation of financial ratios

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