

Varian Medical Systems Scandinavia A/S

Borupvang 9
2750 Ballerup
CVR No. 29476012

Annual report 01.10.2021 - 30.09.2022

The Annual General Meeting adopted the
annual report on 25.04.2023

Malin Stahl

Malin Stahl (Apr 25, 2023 17:01 GMT+2)

Malin Stahl

Chairman of the General Meeting

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Entity details

Entity

Varian Medical Systems Scandinavia A/S
Borupvang 9
2750 Ballerup

Business Registration No.: 29476012
Registered office: Ballerup
Financial year: 01.10.2021 - 30.09.2022

Board of Directors

Nicholas John Moritz
Julie Young Wong
Michelle Dawn Cook

Executive Board

Jeppe Ingvar Hultman Wengel

Auditors

EY Godkendt Revisionspartnerselskab
Dirch Passer Allé 36
2000 Frederiksberg
CVR No.: 30700228

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Varian Medical Systems Scandinavia A/S for the financial year 01.10.2021 - 30.09.2022.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2022 and of the results of its operations for the financial year 01.10.2021 - 30.09.2022.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Ballerup, 25.04.2023

Executive Board

Jeppe Hultman Wengel

Jeppe Ingvar Hultman Wengel

Board of Directors

Julie Young Wong
Julie Young (Apr 25, 2023 10:01 EDT)

Nick Moritz
Nick Moritz (Apr 25, 2023 13:58 GMT+1)

Nicholas John Moritz

Julie Young Wong

Michelle Cook
Michelle Cook (Apr 25, 2023 13:58 GMT+1)

Michelle Dawn Cook

Independent auditor's report

To the shareholders 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 01.10.2021 - 30.09.2022, which comprise the 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 2022 and of the results of the Company's operations for the financial year 1 October 2021 - 30 September 2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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.

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 content 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.

Statement on the management commentary

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' Review.

Copenhagen, 25.04.2023

EY Godkendt Revisionspartnerselskab

CVR No. 30700228



Thomas Bruun Kofoed

State Authorised Public Accountant

Identification No (MNE) mne28677

Management commentary

Financial highlights

	2021/22 DKK'000	2020/21 DKK'000	2019/20 DKK'000	2018/19 DKK'000	2017/18 DKK'000
Key figures					
Revenue	287,655	250,949	318,695	369,710	354,293
Gross profit/loss	38,410	53,115	67,373	61,915	50,292
Operating profit/loss	13,479	27,812	36,665	27,173	21,717
Net financials	4,352	871	(464)	2,875	(1,136)
Profit/loss for the year	13,387	22,011	28,387	23,420	16,021
Total assets	207,356	224,973	259,764	373,510	388,541
Investments in property, plant and equipment	528	374	410	146	1,159
Equity	41,722	50,935	44,269	32,619	53,699
Average number of employees	48	48	50	47	48
Ratios					
Gross margin (%)	13.35	21.17	21.14	16.75	14.20
EBIT margin (%)	4.69	11.08	11.50	7.35	6.13
Net margin (%)	4.65	8.77	8.91	6.33	4.52
Return on equity (%)	28.90	46.24	73.84	54.26	29.40
Equity ratio (%)	20.12	22.64	17.04	8.73	13.82

Financial highlights are defined and calculated as follows:

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

EBIT margin (%):

$\frac{\text{Operating profit/loss} * 100}{\text{Revenue}}$

Net margin (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Equity ratio (%):

Equity * 100

Total assets

Primary 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 Norway and has an office at the Danish Centre for Particle Therapy in Aarhus.

Development in activities and finances

Revenue was expected to stay on the same level as previous year but it instead increased. As expected profit after tax decreased compared to previous fiscal year. The income statement of the company for 2021/22 shows a revenue of 287,655 TDKK compared to 2020/21 250,949 TDKK and a profit for 2021/22 of 13,745 TDKK compared to 2020/21 22,011 TDKK

Profit/loss for the year in relation to expected developments

Revenue was expected to stay on the same level as previous year but it instead increased due to differences with planned and realized delivery times.

Outlook

It is assumed that revenue for the financial year 2022/23 will be approx 10% lower than the reported for the financial year 2021/22. Profit is expected to reduce in same proportion.

Knowledge 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.

Research and development activities

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

Events after the balance sheet date

It has been decided to merge Varian Medical Scandinavia A/S with Siemens Healthcare A/S with the latter as the continuing company. Apart from this, no events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2021/22

	Notes	2021/22 DKK	2020/21 DKK
Revenue	2	287,654,741	250,948,977
Production costs		(249,244,383)	(197,833,913)
Gross profit/loss		38,410,358	53,115,064
Distribution costs		(14,099,384)	(21,080,843)
Administrative expenses		(10,832,431)	(4,222,446)
Operating profit/loss		13,478,543	27,811,775
Other financial income	5	4,722,010	1,232,728
Other financial expenses	6	(369,815)	(362,083)
Profit/loss before tax		17,830,738	28,682,420
Tax on profit/loss for the year	7	(4,443,782)	(6,671,226)
Profit/loss for the year	8	13,386,956	22,011,194

Balance sheet at 30.09.2022

Assets

	Notes	2021/22 DKK	2020/21 DKK
Other fixtures and fittings, tools and equipment		856,320	770,903
Leasehold improvements		0	102,475
Property, plant and equipment	9	856,320	873,378
Deposits		0	431,820
Financial assets	10	0	431,820
Fixed assets		856,320	1,305,198
Manufactured goods and goods for resale		28,646,616	23,701,517
Inventories		28,646,616	23,701,517
Trade receivables		68,025,520	83,047,876
Receivables from group enterprises		14,202,057	17,136,892
Deferred tax	11	155,601	162,377
Other receivables		1,275,415	1,935,120
Receivables		83,658,593	102,282,265
Cash		94,194,896	97,684,355
Current assets		206,500,105	223,668,137
Assets		207,356,425	224,973,335

Equity and liabilities

	Notes	2021/22 DKK	2020/21 DKK
Contributed capital	12	750,000	750,000
Retained earnings		40,971,660	27,584,704
Proposed dividend		0	22,600,000
Equity		41,721,660	50,934,704
Other provisions	13	6,146,594	7,075,194
Provisions		6,146,594	7,075,194
Tax payable		886,916	3,136,525
Other payables		12,613,682	18,707,744
Non-current liabilities other than provisions	14	13,500,598	21,844,269
Trade payables		2,976,775	14,852,620
Payables to group enterprises		49,127,454	38,427,001
Tax payable		4,128,759	4,365,451
Other payables		20,033,448	21,002,748
Deferred income	15	69,721,137	66,471,348
Current liabilities other than provisions		145,987,573	145,119,168
Liabilities other than provisions		159,488,171	166,963,437
Equity and liabilities		207,356,425	224,973,335
Events after the balance sheet date	1		
Staff costs	3		
Amortisation, depreciation and impairment losses	4		
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Related parties with controlling interest	18		
Non-arm's length related party transactions	19		
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Statement of changes in equity for 2021/22

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	750,000	27,584,704	22,600,000	50,934,704
Ordinary dividend paid	0	0	(22,600,000)	(22,600,000)
Profit/loss for the year	0	13,386,956	0	13,386,956
Equity end of year	750,000	40,971,660	0	41,721,660

Notes

1 Events after the balance sheet date

It has been decided to merge Varian Medical Scandinavia A/S with Siemens Healthcare A/S with the latter as the continuing company. Apart from this, no events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Revenue

	2021/22 DKK	2020/21 DKK
Denmark	97,398,761	79,612,204
Export	190,255,980	171,336,773
Total revenue by geographical market	287,654,741	250,948,977
Systems	130,131,878	114,010,250
Services	147,454,863	131,952,710
Other	10,068,000	4,986,017
Total revenue by activity	287,654,741	250,948,977

3 Staff costs

	2021/22 DKK	2020/21 DKK
Wages and salaries	42,076,577	40,404,235
Pension costs	6,430,580	6,272,118
	48,507,157	46,676,353

Average number of full-time employees	48	48
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	Remuneration of Management 2021/22 DKK
Executive Board	2,697,094
	2,697,094

Remuneration to the Executive Board has not been disclosed in 2020/21 in accordance with section 98 8(3) of the Danish Financial Statements Act.

4 Depreciation, amortisation and impairment losses

	2021/22	2020/21
	DKK	DKK
Depreciation of property, plant and equipment	456,618	566,644
Profit/loss from sale of intangible assets and property, plant and equipment	88,412	0
	545,030	566,644

5 Other financial income

	2021/22	2020/21
	DKK	DKK
Exchange rate adjustments	4,630,137	1,232,700
Other financial income	91,873	28
	4,722,010	1,232,728

6 Other financial expenses

	2021/22	2020/21
	DKK	DKK
Other interest expenses	369,815	362,083
	369,815	362,083

7 Tax on profit/loss for the year

	2021/22	2020/21
	DKK	DKK
Current tax	3,886,916	6,288,458
Change in deferred tax	6,776	(1,479)
Adjustment concerning previous years	550,090	384,247
	4,443,782	6,671,226

8 Proposed distribution of profit and loss

	2021/22	2020/21
	DKK	DKK
Ordinary dividend for the financial year	0	22,600,000
Retained earnings	13,386,956	(588,806)
	13,386,956	22,011,194

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	5,620,003	1,251,364
Additions	527,970	0
Disposals	(2,308,927)	(1,251,364)
Cost end of year	3,839,046	0
Depreciation and impairment losses beginning of year	(4,849,100)	(1,148,889)
Depreciation for the year	(429,687)	(26,931)
Reversal regarding disposals	2,296,061	1,175,820
Depreciation and impairment losses end of year	(2,982,726)	0
Carrying amount end of year	856,320	0

10 Financial assets

	Deposits DKK
Cost beginning of year	431,820
Disposals	(431,820)
Cost end of year	0
Carrying amount end of year	0

11 Deferred tax

Changes during the year	2021/22 DKK	2020/21 DKK
Beginning of year	162,377	160,898
Recognised in the income statement	(6,776)	1,479
End of year	155,601	162,377

Deferred tax assets

The tax asset is included in the balance sheet based on the managements expectations to the result of the future operations of the company, and therefore naturally is subject to uncertainty.

It is the managements assessment that the tax assets within a 5 year period, can be used in future positive taxable income.

12 Share capital

	Number	Par value DKK	Nominal value DKK
Share capital	75	10,000	750,000
	75		750,000

13 Other provisions

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

The guarantees typically run for 12 months after delivery.

14 Non-current liabilities other than provisions

	Due after more than 12 months 2021/22 DKK
Tax payable	886,916
Other payables	12,613,682
	13,500,598

15 Deferred income

Deferred income, recognized under liabilities, include payments received regarding income in subsequent years.

16 Unrecognised rental and lease commitments

	2021/22 DKK	2020/21 DKK
Liabilities under rental or lease agreements until maturity in total	2,876,620	1,872,196

17 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Siemens A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

18 Related parties with controlling interest

Siemens Healthineers AG, Munich, Germany, owns all shares in the Entity, thus exercising control.

19 Non-arm's length related party 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 11,340k (2020/21: DKK 960k)

Sales of services to other group entities DKK 19,869k (2020/21: DKK 13,640k)

Purchase of goods from other group entities DKK 182,259k (2020/21: DKK 204,110k)

Purchase of services from other group entities DKK 21,141k (2020/21: DKK 29,630k)

Receivables from other group entities DKK 14.202k (2020/21: DKK 17,137k)

Payables to other group entities DKK 49.124k (2020/21: DKK 38,427k)

20 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Siemens AG, Wittelbacherplatz 2, 80200 Munich, Germany

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Siemens Healthineers AG, Henkestr. 127, 91052 Erlangen, Germany

Copies of the consolidated financial statements of may be ordered at the following address:
Wittelsbacherpl. 1, 80333, Munich, Germany

Accounting policies

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

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.

Foreign currency translation

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

Revenue

The Entry has chosen IFRS 15 as interpretation for revenue recognition. 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 standalone 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.

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 radiosurgery 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.

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.

Production costs

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.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment involved in the distribution process.

Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies, and amortisation, depreciation and impairment losses relating to property, plant and equipment used for administration of the Entity.

Other financial income

Other financial income comprises, interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet**Property, plant and equipment**

Plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

The Entity has chosen IAS 39 as interpretation for impairment of receivables. Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Deferred tax

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.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Other 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.

Leases

The Entity has chosen IAS 17 as interpretation for classification and recognition of leases.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, the Entity has prepared no cash flow statement as such statement is included in the consolidated cash flow statement of the Company's Parent Company.