

Teva Denmark A/S
CVR-no. 29 63 40 76

Annual Report for 2018

The Annual Report was presented and adopted at
the Annual General Meeting of the company on
29 / 05 / 2019

Henri Pieter Josephus Henrichs
Chairman

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Teva Denmark A/S for the financial year 1 January - 31 December 2018.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations for 2018.

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

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

Søborg, 29 May, 2019

Executive Board

Morten Nielsen
CEO

Bjarne Palle Niemi
Executive Officer

Board of Directors

Henri Pieter Josephus Henrichs
Chairman

Helle Grinderslev Kramp

Morten Nielsen

Mirko Vonk

Independent Auditor's Report

To the Shareholder of Teva Denmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Teva Denmark A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

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.

Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 29 May 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Martin Lunden
State Authorised Public Accountant
mne32209

Thomas Lauritsen
State Authorised Public Accountant
mne34342

Company Information

The Company

Teva Denmark A/S

CVR-no.: 29 63 40 76

Financial period: 1 January - 31 December

Municipality of reg. office: Gladsaxe

Board of Directors

Henri Pieter Josephus Henrichs, Chairman

Helle Grinderslev Kramp

Morten Nielsen

Mirko Vonk

Executive Board

Morten Nielsen

Bjarne Palle Niemi

Auditors

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Strandvejen 44

DK-2900 Hellerup

Financial Highlights

	<u>2018</u> TDKK	<u>2017</u> TDKK	<u>2016</u> TDKK	<u>2015</u> TDKK	<u>2014</u> TDKK
Key figures					
Profit/loss					
Revenue	586,459	469,658	225,959	223,398	160,941
Gross profit/loss	61,925	71,169	31,212	34,809	30,824
Profit/loss before financial income and expenses	25,659	55,421	6,080	7,681	5,737
Net financials	-3,473	-9,413	-119	-830	-765
Net profit/loss for the year	14,661	35,953	4,797	4,408	3,742
Balance Sheet					
Balance sheet total	364,176	647,069	132,489	146,892	127,089
Equity	123,894	109,233	51,051	46,255	41,847
Investment in property, plant and equipment	0	2,820	0	0	107
Ratios					
Gross Margin	10.6%	15.2%	13.8%	15.6%	19.2%
Profit Margin	4.4%	11.8%	2.7%	3.4%	3.6%
Return on assets	7.0%	8.6%	4.6%	5.2%	4.5%
Solvency ratio	34.0%	16.9%	38.5%	31.5%	32.9%
Return on equity	12.6%	44.9%	9.9%	10.0%	9.4%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

The comparative figures for 2017 has been adjusted due to the acquisition of Actavis Nordic A/S in 2017 and subsequently merger with Teva Denmark A/S as the continuing company with accounting effect from 1 January 2018. Thus, the income statement for 2017 has been restated to reflect the income of Teva Denmark A/S for the full year 2017 and Actavis Nordic A/S for the period after the acquisition (1 June – 31 December 2017).

Management's Review

Key activities

The objective of the Company is trading in pharmaceuticals. Furthermore, the Company carries out related activities, including the ownership of product rights.

Geographically, the Company's activities are primarily aimed at the Nordic countries.

Development in the year

The income statement of the Company for 2018 shows a profit of TDKK 14,661 and at 31 December 2018 the balance sheet of the Company shows equity of TDKK 123,896.

On February 12, 2019 Teva Denmark A/S was merged with one of its subsidiaries, Actavis Nordic A/S. The effectiveness date of the merger is January 1, 2018. The financial statements are therefore consolidated financial statements of these two legal entities. Thus, the income statement for 2017 has been restated to reflect the income of Teva Denmark A/S for the full year 2017 and Actavis Nordic A/S for the period after the acquisition (1 June – 31 December 2017).

The past year and follow-up on development expectations from last year

The development in the financial year 2018 has been satisfactory within the primary markets and the result from the primary activities are as expected.

Targets and expectations for the year ahead

The Company expects similar results from ordinary activities in the future as in 2018, but any profit/loss will primarily depend on the capital and financing structure of the Company.

Special risks – operating risks and financial risks

The financial statements are not affected by special risks.

Research and development

The Company does not develop new products.

External environment

The company is a sales Company and makes no significant impact on the external environment in connection with their activities.

Statement of corporate social responsibility, cf. section 99a of the Danish Financial Statements Act

Business Model

The objective of the Company is trading in pharmaceuticals. The pharmaceuticals are mainly sold through wholesalers to pharmacies, from where they are sold to patients.

Geographically, the Company's activities are primarily aimed at the Nordic countries.

Principles

Environment

Teva Denmark A/S works continuously to reduce the use of resources and the environmental impact of our business activities, and we maintain focus on how we can reduce energy consumption in all business areas. Globally Teva has focus on producing medicines in an environmentally-oriented way, and locally we have in 2018 moved part of our inventory to newer and energy efficient buildings. By moving our inventory we expect that our energy consumption will be reduced going forward.

Social & employee responsibility

Teva Denmark A/S has always prioritized the working environment. Safe, healthy and stimulating jobs are the precondition of the flexibility, adaptability and personal development required of employees of Teva Denmark. We have SAP Platform for mandatory setting and measuring development for each employee, along with a yearly employee survey. In 2018 we initiated a plan to secure female representative in the board of directors. In 2018 87% of all employees in Denmark completed the employee survey and 1 of of 4 board members is now a woman.

Human rights, anti-corruption and anti-bribery

We conduct our business responsibly according to the highest ethical standards, including respect for human rights, both in our own operations and throughout our supply network. The primary focus of our human right work in Teva Denmark A/S is related to work against gender discrimination and protection of personal and private data. We believe we have a strong set of compliance rules in Teva Denmark A/S, including employing a dedicated full time compliance manager.

We are committed to behaving with integrity and act to eliminate corruption and bribery. Our target for 2018 was to increase employee awareness on human rights, anti-corruption and anti-bribery. During 2018 we have conducted multiple electronics trainings, with 100% participation from employees. During 2018 there has been registered no incidents of corruption or bribery in Teva Denmark A/S.

Principles - risks

We do not see any specific risk related to environment, Social & employee responsibility, Human rights, anti-corruption and anti-bribery, nor our principles. This is based on the fact that we operate on a well regulated markets as well as the fact that we have strong governance surrounding our supply chain network.

Achievements and future expectations

As part of Tevas group CSR we are constantly improving our social responsibility. Examples of this includes more environmental friendly storage of goods, implementation of Purchase Order system and training in personal development for all employees.

We expect the work with CSR to continue and expect to initiate several new initiatives to further improve our social responsibility

Statement on gender composition, cf. section 99b of the Danish Financial Statements Act

The Board of Directors comprises of 4 members, it consists of 3 men and 1 woman. There has been achieved equitable distribution on the board, why there is not set targets for achieving equitable distribution. For other management levels, 4 out of 7 members of the leadership team are women. Equitable balance in the other layers of management has been achieved, therefore no policies have been created to increase the share of the underrepresented sex in the other management layers.

Uncertainty relating to recognition and measurement

A part of the Company's transactions is settled in foreign currencies. Therefore, changes in foreign exchange rates have a considerable effect on recognition and measurement.

Interest rate risks primarily relate to the Company's interest-bearing debt to group enterprises. The debt carries a floating interest rate.

Hedging of interest rates and currency risks are handled by Group Treasury.

Unusual events

The financial position at 31 December 2018 of the Company and the results of the activities of the Company for the financial year for 2018 have not been affected by any unusual events.

Subsequent events

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

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2018</u> <u>TDKK</u>	<u>2017</u> <u>TDKK</u>
Revenue	1	586,459	469,658
Other operating income		0	3,500
Cost of goods sold		-405,754	-286,892
Other external expenses		-78,858	-79,880
Staff expenses	2	<u>-39,922</u>	<u>-35,217</u>
Gross profit/loss		61,925	71,169
Amortisation and impairment of intangible assets	3	-35,659	-15,527
Depreciation and impairment of property, plant and equipment	4	<u>-607</u>	<u>-221</u>
Profit/loss before financial income and expenses		25,659	55,421
Financial income	5	2,111	466
Financial expenses	6	<u>-5,584</u>	<u>-9,879</u>
Profit/loss before tax		22,186	46,008
Tax on profit/loss for the year	7	<u>-7,525</u>	<u>-10,055</u>
Net profit/loss for the year	8	<u>14,661</u>	<u>35,953</u>

Balance Sheet 31 December

Assets

	<u>Note</u>	<u>2018</u> <u>TDKK</u>	<u>2017</u> <u>TDKK</u>
Acquired patents		74,782	105,473
Goodwill		41,816	46,784
Software		0	0
Intangible assets	9	<u>116,598</u>	<u>152,257</u>
Other fixtures and fittings, tools and equipment		2,068	2,676
Property, plant and equipment	10	<u>2,068</u>	<u>2,676</u>
Investments in subsidiaries	11	0	0
Other investments	12	3,521	3,521
Deposits		1,133	947
Fixed asset investments		<u>4,654</u>	<u>4,468</u>
Fixed assets		<u>123,320</u>	<u>159,401</u>
Inventories		<u>128,843</u>	<u>194,809</u>
Trade receivables		56,638	82,798
Receivables from group enterprises		50,359	197,812
Other receivables		0	1,367
Corporation tax		0	4,918
Deferred tax asset	13	0	980
Prepayments	14	293	1,030
Receivables		<u>107,290</u>	<u>288,905</u>
Cash at bank and in hand		<u>4,723</u>	<u>3,954</u>
Current assets		<u>240,856</u>	<u>487,668</u>
Assets		<u>364,176</u>	<u>647,069</u>

Balance Sheet 31 December

Liabilities and equity

	<u>Note</u>	<u>2018 TDKK</u>	<u>2017 TDKK</u>
Share capital		501	501
Retained earnings		123,393	108,732
Equity		<u>123,894</u>	<u>109,233</u>
Provision for deferred tax	13	<u>351</u>	<u>0</u>
Provisions		<u>351</u>	<u>0</u>
Payables to group enterprises		<u>0</u>	<u>32,780</u>
Long-term debt		<u>0</u>	<u>32,780</u>
Trade payables		12,026	40,742
Payables to group enterprises		185,124	420,463
Corporation tax		11,315	5,897
Other payables		<u>31,466</u>	<u>37,954</u>
Short-term debt		<u>239,931</u>	<u>505,056</u>
Debt		<u>240,282</u>	<u>537,836</u>
Liabilities and equity		<u><u>364,176</u></u>	<u><u>647,069</u></u>
Contingent assets liabilities and other financial obligations	15		
Related parties	16		
Fee to auditors appointed at the general meeting	17		
Accounting policies	18		

Statement of Changes in Equity

	Share capital TDKK	Retained earnings TDKK	Total TDKK
Equity at 1 January	501	53,139	53,640
Net effect from merger and acquisition under the uniting of interest method	0	55,593	55,593
Adjusted equity at 1 January	501	108,732	109,233
Net profit/loss for the year	0	14,661	14,661
Equity at 31 December	501	123,393	123,894

Notes to the Financial Statements

	2018	2017
	TDKK	TDKK
1. Revenue		
Revenue, Denmark	426,972	333,073
Revenue, Finland	71,328	57,181
Revenue, Sweden	21,262	18,600
Revenue, Norway	29,879	43,816
Revenue, Iceland	15,053	1,965
Revenue, Malta	13,346	8,124
Revenue, Others	8,619	6,899
	586,459	469,658
Revenue, Specialty Medicines	104,388	103,866
Revenue, Generics Medicines	482,071	365,792
	586,459	469,658
2. Staff Expenses		
Wages and salaries	36,686	31,873
Pensions	3,060	3,173
Other social security expenses	176	171
	39,922	35,217
Of which total fee to:		
Management	2,575	3,284
Board of directors	0	0
Average number of employees	47	49
3. Amortisation and impairment of intangible assets		
Amortisation of intangible assets	27,169	9,887
Impairment of intangible assets	8,490	5,640
	35,659	15,527

Notes to the Financial Statements

	<u>2018</u> <u>TDKK</u>	<u>2017</u> <u>TDKK</u>
4. Depreciation and impairment of property, plant and equipment		
Depreciation of property, plant and equipment	607	221
	<u>607</u>	<u>221</u>
5. Financial Income		
Other financial income	53	74
Exchange gains	2,058	392
	<u>2,111</u>	<u>466</u>
6. Financial expenses		
Interest paid to group enterprises	4,394	5,040
Other financial expenses	244	59
Exchange loss	946	4,780
	<u>5,584</u>	<u>9,879</u>
7. Tax on profit/loss for the year		
Current tax for the year	6,410	9,003
Deferred tax for the year	-175	3,147
Adjustment of tax concerning previous years	-216	-4,477
Adjustment of deferred tax concerning previous years	1,506	2,382
	<u>7,525</u>	<u>10,055</u>
8. Distribution of profit		
Proposed distribution of profit		
Retained earnings	14,661	35,953
	<u>14,661</u>	<u>35,953</u>

Notes to the Financial Statements

	<u>Acquired patents TDKK</u>	<u>Goodwill TDKK</u>	<u>Software TDKK</u>
9. Intangible assets			
Cost at 1 January	0	0	0
Net effect from merger and acquisition	215,556	49,682	64,009
Disposals for the year	0	0	-64,009
Cost at 31 December	<u>215,556</u>	<u>49,682</u>	<u>0</u>
Impairment losses and amortisation at 1 January	0	0	0
Net effect from merger and acquisition	110,083	2,898	64,009
Impairment losses for the year	8,490	0	0
Amortisation for the year	22,201	4,968	0
Reversal of amortisation of disposals for the year	0	0	-64,009
Impairment losses and amortisation at 31 December	<u>140,774</u>	<u>7,866</u>	<u>0</u>
Carrying amount at 31 December	<u>74,782</u>	<u>41,816</u>	<u>0</u>
Amortised over	<u>15-20 years</u>	<u>20 years</u>	<u>3-5 years</u>
			<u>Other fixtures and fittings tools and equipment TDKK</u>
10. Property, plant and equipment			
Cost at 1 January			3,755
Net effect from merger and acquisition			20,854
Disposals for the year			-21,588
Cost at 31 December			<u>3,021</u>
Impairment losses and depreciation at 1 January			1,123
Net effect from merger and acquisition			20,811
Depreciation for the year			607
Disposals for the year			-21,588
Impairment losses and depreciation at 31 December			<u>953</u>
Carrying amount at 31 December			<u>2,068</u>
Depreciated over			<u>3-5 years</u>

Notes to the Financial Statements

	<u>2018</u> <u>TDKK</u>	<u>2017</u> <u>TDKK</u>
11. Investments in subsidiaries		
Cost at 1 January	2,001,586	0
Net effect from merger and acquisition	0	2,001,586
Additions for the year	0	0
Disposals for the year	0	0
Cost at 31 December	<u>2,001,586</u>	<u>2,001,586</u>
Value adjustments at 1 January	-2,001,586	0
Net effect from merger and acquisition	0	-2,001,586
Revaluations for the year, net	0	0
Reversals for the year of revaluations from previous years	0	0
Value adjustments at 31 December	<u>-2,001,586</u>	<u>-2,001,586</u>
Carrying amount at 31 December	<u>0</u>	<u>0</u>

Investments in subsidiaries are specified as follows:

Medis Pharma GmbH, Germany, Share Capital 25,000 EUR, 100% ownership, Equity -7,726 TEUR, Net loss for the year 9,020 TEUR. As the company has negative equity, the investment has been written down

	<u>Other</u> <u>investments</u> <u>TDKK</u>
12. Other Investments	
Cost at 1 January	0
Net effect from merger and acquisition	3,521
Cost at 31 December	<u>3,521</u>
Revaluations at 1 January	0
Revaluations at 31 December	<u>0</u>
Carrying amount at 31 December	<u>3,521</u>

Other investments consists of a non-controlling shareholding in a foreign pharmaceutical company. The investment is recognized at cost as a reliable fair value cannot be assessed.

Notes to the Financial Statements

	2018	2017
	TDKK	TDKK
13. Provision for deferred tax		
Provision for deferred tax at 1 January	-980	-1,125
Amounts recognised in the income statement for the year	1,331	10,952
Amounts recognised in the equity for the year	0	-10,807
Provision for deferred tax at 31 December	351	-980

14. Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

15. Contingent assets, liabilities and other financial obligations

Contingent liabilities

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	1,617	1,937
Between 1 and 5 years	1,609	1,814
	3,226	3,751
Rent obligations	4,420	5,780

Other contingent liabilities

The Company has entered into a series of contracts for product rights under which the Company is to pay for the rights if they are applied on export markets.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

16. Related parties

Controlling interest

Teva Pharma B.V., Netherlands – Controlling shareholder

Transactions

With reference to section 98 C(7) of the Danish Financial Statements Act, related parties transactions have not been disclosed in the Annual Report.

Consolidated Financial Statements

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

Teva Pharmaceutical Industries Limited, Israel

The Group Annual Report of Teva Pharmaceutical Industries Limited, Israel may be obtained at the following address:

5 Basel Street
P.O. Box 3190
Petach Tikva 49131, Israel

17. Fee to the auditors appointed at the general meeting

PricewaterhouseCoopers

	<u>2018</u> <u>TDKK</u>	<u>2017</u> <u>TDKK</u>
Audit Fee	500	612
Other assurance engagements	30	30
Tax advisory services	0	87
Other services	0	100
	<u>530</u>	<u>829</u>

Notes to the Financial Statements

18. Accounting Policies

The Annual Report of Teva Denmark A/S for 2018, 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 2018, are presented in TDKK.

Merger with Actavis Nordic A/S

In 2018 Teva Denmark A/S and its wholly-owned subsidiary Actavis Nordic A/S merged with Teva Denmark A/S as the continuing Company. The merger has been accounted for under the pooling-of-interest method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. The pooling-of-Interest method is applied as if the two enterprises had always been combined by restating the comparative figures.

Thus, the income statement for 2017 has been restated to reflect the income of Teva Denmark A/S for the full year 2017 and Actavis Nordic A/S for the period after the acquisition (1 June – 31 December 2017).

As such comparative values have not been adjusted, in line with section 24 of the Danish Financial Statement Act. The merger has resulted in an increase of the Company's equity in an amount of DKK 55,593k.

Consolidated financial statements

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

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Teva Pharmaceutical Industries Limited, Israel, the Company has not prepared a cash flow statement.

Notes to the Financial Statements

Accounting Policies (continued)

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction.

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

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

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.

Notes to the Financial Statements

Accounting Policies (continued)

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

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

Cost of goods sold

Cost of goods sold comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Notes to the Financial Statements

Accounting Policies (continued)

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 20 years

Patents are measured at the lower of cost less accumulated amortisation and recoverable amount.

Patents are amortised over a five years period and amortisation is commenced when the patents are put to use.

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

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,200 are expensed in the year of acquisition.

Notes to the Financial Statements

Accounting Policies (continued)

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.

Investments in subsidiaries

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

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provision.

Dividends received are recognised in the income statement in the financial year in which they are declared. If proposed dividends exceed accumulated earnings after the acquisition date, dividends are however recognised as a reduction of the cost of the investments.

The carrying amount of investments in subsidiaries is subject to an annual test for indications of impairment. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Impairment losses are recognised in the income statement.

Fixed asset investments

Fixed asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

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.

The cost of goods for resale equals landed cost.

Notes to the Financial Statements

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. 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 based on the Company's experience from previous years.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

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

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

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

Notes to the Financial Statements

Accounting Policies (continued)

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 (%)	=	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$