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# *Merck Life Science A/S*

Vandtårnsvej 62 A, 5. a, DK-2860 Søborg

## Annual Report for 2023

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CVR No. 20 83 01 31

The Annual Report was  
presented and adopted  
at the Annual General  
Meeting of the  
company  
on 14/6 2024

Montserrat Jansa  
Rodriguez  
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 Merck Life Science A/S for the financial year 1 January - 31 December 2023.

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 2023 of the Company and of the results of the Company operations for 2023.

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, 14 June 2024

## Executive Board

Montserrat Jansa Rodriguez  
CEO

## Board of Directors

Anders Gerner Petersen  
Chairman

Montserrat Jansa Rodriguez

Tiina Marjatta Puhakka

# Independent Auditor's report

To the shareholder of Merck Life Science A/S

## Opinion

We have audited the Financial Statements of Merck Life Science A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional 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.

# Independent Auditor's report

- 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.

## 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 Financial 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.

Copenhagen, 14 June 2024

**Deloitte Statsautoriseret Revisionspartnerselskab**

Statsautoriseret Revisionspartnerselskab

*CVR No 33963556*

Flemming Larsen

State Authorised Public Accountant

mne27790

## Company information

<b>The Company</b>	Merck Life Science A/S Vandtårnsvej 62 A, 5. a 2860 Søborg  CVR No: 20 83 01 31 Financial period: 1 January - 31 December Municipality of reg. office: Gladsaxe
<b>Board of Directors</b>	Anders Gerner Petersen, chairman Montserrat Jansa Rodriguez Tiina Marjatta Puhakka
<b>Executive Board</b>	Montserrat Jansa Rodriguez
<b>Auditors</b>	Deloitte Statsautoriseret Revisionspartnerselskab Statsautoriseret Revisionspartnerselskab Weidekampsgade 6 2300 København S
<b>Bankers</b>	SEB Bank Bernstorffsgade 50 1014 København K

# Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	1,398,642	1,256,087	1,008,596	768,193	626,925
Gross profit	119,753	80,125	69,752	72,096	53,447
Profit/loss of primary operations	91,705	57,876	51,581	54,145	36,850
Profit/loss of financial income and expenses	2,949	365	-164	-1,202	-919
Net profit/loss for the year	73,610	46,001	37,724	41,277	27,387
<b>Balance sheet</b>					
Balance sheet total	322,677	233,186	249,887	237,290	181,671
Equity	239,855	166,245	214,691	176,968	135,691
<b>Ratios</b>					
Gross margin	8.6%	6.4%	6.9%	9.4%	8.5%
Profit margin	6.6%	4.6%	5.1%	7.0%	5.9%
Solvency ratio	74.3%	71.3%	85.9%	74.6%	74.7%
Return on equity	36.3%	24.2%	19.3%	26.4%	29.4%

# Management's review

## Key activities

The Life Science business area has a broad portfolio of products and technologies for life sciences. These products and services are used to discover, develop and manufacture pharmaceuticals of chemical and biotechnological origin as well as in research laboratories and laboratories in companies. In addition, offers the business area analysis systems and test kits for the food and beverage industry. During the financial year, the company has consolidated its own brands as single entity and increased its sales with 11.3 % compared to 2022.

## Development in the year

The income statement of the Company for 2023 shows a profit of DKK 73,609,980, and at 31 December 2023 the balance sheet of the Company shows a positive equity of DKK 239,855,470.

## Operating risks

The company's most significant operating risk is linked to the ability to be highly positioned in the most important markets. In addition, it is important for the company to always be at the forefront of new products. This is done through significant development activities in other Group companies.

## Foreign exchange risks

The company invoices in DKK. Purchase of goods are made in DKK, USD, EUR, GBP and SEK.

## Interest rate risks

Due to its financial preparedness, the company is only limited exposed to changes in interest rates.

## Credit risks

The company does not have significant risks regarding individual customers or collaborators. The company's policy for credit risk entails that all major customers and other collaborators are continuously credit rated.

## Targets and expectations for the year ahead

The expectation for Merck Life Science Denmark for Year 2024 remains very positive. The main reason for this is the very strong development for Process Solution with Science and Lab Solutions will contribute to a positive result through:

- Focus on growth on Science and Lab Solutions division and be proactive to build and consolidate sales relationships with new clients and existing.
- Our strategic focus here is to ensure our long- term competitiveness as customer needs evolve. We will remain a leading player in labs with continued product innovation – including digital features, greener alternatives and omnichannel engagement, for example.
- Focus on face-to-face customer visit, but plan also and increase virtual customer meeting increasing the positive impact of these.

In Process Solution Division we would like to ensure that products are positioned at the very beginning in the design phase for customers in order to develop actions on market earlier than competitors. Another driver is to push the client to switch to single use equipment.

The workload on the group of employees will be affected to an increase and the recommendation is that an evaluation of adding additional resources should be done.

Overall there is a strong focus from all areas of Life Science to maintain a close collaboration with existing customer and at the same time find new projects and new customers. There is already a plan of action in place for the different business fields to ensure focus on prospecting and to ensure future business using existing digital platforms.



# Management's review

## Research and development

The company does not have its own development activities, as product development is carried out by group companies located abroad.

## External environment

The company is a trading company without its own production or processing. The company's activities therefore have no significant impact on the environment.

## Intellectual capital resources

It is essential for the company's continued growth to attract sellers specializing in chemistry and biology. It is furthermore important that the company's employees have updated knowledge about the company's products, etc. This is obtained through continuous education, which is regularly held by the Group.

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

For compliance with our reporting obligation in accordance with section 99a of the Danish Financial Statements Act, Merck Denmark refers to the 2023 Merck Group Sustainability Report, see: <https://www.merckgroup.com/en/sustainability-report/2023/>

## Statement on gender composition

Merck Denmark has obtained equal gender representation on the Board of Directors.

Further, Merck Denmark employs less than 50 employees, and consequently, we are not required to word and report upon a policy to increase the underrepresented gender on other management levels.

## Statement on data ethics

Having made it our mission to develop new digital technologies responsibly, we identify at an early stage any ethical issues that may arise from either using this technology or from applying algorithm-driven and databased business models.

Established in 2021, Merck Digital Ethics Advisory Panel (DEAP) focuses on complex ethical issues surrounding digital technologies. Ensuring that our digital business model follows a holistic, ethical approach, its efforts complement the work of our Merck Ethics Advisory Panel for Science and Technology (MEAP). Launched in 2010, the MEAP provides guidance on ethical issues pertaining to our business activities and research.

## Unusual events

Despite the geopolitical situation and inflation which impacted the world in 2022-2023, we exceeded expectations – growing our business, serving more customers than ever and expanding our pipeline for long-term success.

Our e-commerce platform continues to grow and connect customers globally with the products needed to advance their research, development, and production efforts, and our newly consolidated offering of relevant Covid-19 products, services, and necessary raw materials allow scientists and researchers to detect and characterize viruses and to develop vaccines and therapies.

## 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

	Note	2023	2022
		DKK	DKK
Revenue	1	1,398,642,419	1,256,087,140
Other operating income	2	6,596,422	15,816,139
Cost of goods sold		-1,212,011,660	-1,093,263,231
Other external expenses		-73,474,025	-98,514,971
<b>Gross profit</b>		<b>119,753,156</b>	<b>80,125,077</b>
Staff expenses	3	-26,484,745	-20,685,607
Amortisation and impairment losses of intangible assets	4	-1,563,800	-1,563,800
<b>Profit/loss before financial income and expenses</b>		<b>91,704,611</b>	<b>57,875,670</b>
Financial income	5	3,635,916	400,169
Financial expenses	6	-687,061	-35,572
<b>Profit/loss before tax</b>		<b>94,653,466</b>	<b>58,240,267</b>
Tax on profit/loss for the year	7	-21,043,486	-12,238,905
<b>Net profit/loss for the year</b>	8	<b>73,609,980</b>	<b>46,001,362</b>

## Balance sheet 31 December

### Assets

	Note	2023	2022
		DKK	DKK
Software		1,563,800	3,127,600
<b>Intangible assets</b>	9	<b>1,563,800</b>	<b>3,127,600</b>
<b>Fixed assets</b>		<b>1,563,800</b>	<b>3,127,600</b>
Finished goods and goods for resale		2,881,102	7,267,996
<b>Inventories</b>		<b>2,881,102</b>	<b>7,267,996</b>
Trade receivables		187,405,651	196,560,627
Receivables from group enterprises		129,398,698	22,101,196
Other receivables		1,427,375	1,314,628
Corporation tax		0	1,306,190
Prepayments	10	0	1,507,639
<b>Receivables</b>		<b>318,231,724</b>	<b>222,790,280</b>
<b>Current assets</b>		<b>321,112,826</b>	<b>230,058,276</b>
<b>Assets</b>		<b>322,676,626</b>	<b>233,185,876</b>

## Balance sheet 31 December

### Liabilities and equity

	Note	2023	2022
		DKK	DKK
Share capital		2,001,000	2,001,000
Retained earnings		147,854,470	164,244,490
Proposed dividend for the year		90,000,000	0
<b>Equity</b>		<b>239,855,470</b>	<b>166,245,490</b>
Provision for deferred tax	11	187,651	692,566
<b>Provisions</b>		<b>187,651</b>	<b>692,566</b>
Credit institutions		5,346	7,436
Trade payables		15,261,397	8,157,379
Payables to group enterprises		126	356,925
Corporation tax		5,567,727	0
Deposits		135,184	148,783
Other payables		38,994,693	33,904,077
Deferred income	12	22,669,032	23,673,220
<b>Short-term debt</b>		<b>82,633,505</b>	<b>66,247,820</b>
<b>Debt</b>		<b>82,633,505</b>	<b>66,247,820</b>
<b>Liabilities and equity</b>		<b>322,676,626</b>	<b>233,185,876</b>
Contingent assets, liabilities and other financial obligations	13		
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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 January	2,001,000	164,244,490	0	166,245,490
Net profit/loss for the year	0	-16,390,020	90,000,000	73,609,980
<b>Equity at 31 December</b>	<b>2,001,000</b>	<b>147,854,470</b>	<b>90,000,000</b>	<b>239,855,470</b>

# Notes to the Financial Statements

	2023	2022
	DKK	DKK
<b>1. Revenue</b>		
<b>Business segments</b>		
Applied Solution	151,520,396	73,271,897
Process Solution	1,085,057,108	969,733,562
Research Solution	162,064,915	213,081,681
	<u>1,398,642,419</u>	<u>1,256,087,140</u>
	2023	2022
	DKK	DKK
<b>2. Other operating income</b>		
Reimbursement of freight and duties etc.	6,596,422	15,816,139
	<u>6,596,422</u>	<u>15,816,139</u>
	2023	2022
	DKK	DKK
<b>3. Staff Expenses</b>		
Wages and salaries	23,824,340	18,839,354
Pensions	2,378,489	1,811,750
Other social security expenses	101,649	94,270
Other staff expenses	180,267	-59,767
	<u>26,484,745</u>	<u>20,685,607</u>

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

<b>Average number of employees</b>	<u>24</u>	<u>20</u>
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Merck Long Term Incentive Plan (LTIP)

The plan entitles the plan participants to a cash payment after a period of three years depending on the achievement of external and internal KPI.

The fair value of the legal entity's liability resulting from the fair value has to be re-measured at each quarterly reporting date during the vesting period with any changes in the fair value to be recognized in profit or loss for the period.

Long Term Incentive plan (non-current) relates to our higher Management bonus payout for the 3 years obligation period (LTIP 2022, 2023).

For current period we consider 1 year obligation and for non-current 2 year obligation plan.

Current incentive plans amount to DKK 9,501 (2022: DKK 0)

Non-current incentive plans amount to DKK 5,230 (2022: DKK 20,464)

## Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	DKK	DKK
<b>4. Amortisation and impairment losses of intangible assets</b>		
Amortisation of intangible assets	1,563,800	1,563,800
	<u>1,563,800</u>	<u>1,563,800</u>
	<u>2023</u>	<u>2022</u>
	DKK	DKK
<b>5. Financial income</b>		
Interest received from group enterprises	3,630,166	309,034
Other financial income	5,750	2,255
Exchange gains	0	88,880
	<u>3,635,916</u>	<u>400,169</u>
	<u>2023</u>	<u>2022</u>
	DKK	DKK
<b>6. Financial expenses</b>		
Interest paid to group enterprises	76,045	7,393
Other financial expenses	25,871	28,179
Exchange adjustments, expenses	-1,518,461	0
Exchange loss	2,103,606	0
	<u>687,061</u>	<u>35,572</u>
	<u>2023</u>	<u>2022</u>
	DKK	DKK
<b>7. Income tax expense</b>		
Current tax for the year	21,367,742	13,193,810
Deferred tax for the year	-504,915	-339,542
Adjustment of tax concerning previous years	180,659	-615,363
	<u>21,043,486</u>	<u>12,238,905</u>

## Notes to the Financial Statements

	2023	2022
	DKK	DKK
<b>8. Profit allocation</b>		
Extraordinary dividend paid	0	94,447,200
Proposed dividend for the year	90,000,000	0
Retained earnings	-16,390,020	-48,445,838
	<u>73,609,980</u>	<u>46,001,362</u>

### 9. Intangible fixed assets

	Software
	DKK
Cost at 1 January	15,638,000
Cost at 31 December	<u>15,638,000</u>
Impairment losses and amortisation at 1 January	12,510,400
Amortisation for the year	1,563,800
Impairment losses and amortisation at 31 December	<u>14,074,200</u>
Carrying amount at 31 December	<u>1,563,800</u>

### 10. Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions etc.

	2023	2022
	DKK	DKK
<b>11. Provision for deferred tax</b>		
Deferred tax liabilities at 1 January	692,566	1,032,108
Amounts recognised in the income statement for the year	-504,915	-339,542
Deferred tax liabilities at 31 December	<u>187,651</u>	<u>692,566</u>

### 12. Deferred income

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



## Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	DKK	DKK
<b>13. Contingent assets, liabilities and other financial obligations</b>		
<b>Charges and security</b>		
The following assets have been placed as security with bankers:		
The company's bank has been granted collateral to the Danish Tax Agency on	30,000	30,000
<b>Rental and lease obligations</b>		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	1,470,732	286,168
Between 1 and 5 years	2,083,200	1,719,169
	<u>3,553,932</u>	<u>2,005,337</u>

# Notes to the Financial Statements

## 14. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
<b>Controlling interest</b>	
Merck KGaA, Germany	Ultimate parent
Sigma-Aldrich Corporation, St. Louis, USA	Parent company
Sigma-Aldrich (Switzerland) Holding AG, Buchs, Switzerland	Parent company
Sigma-Aldrich International GmbH, Buchs, Switzerland	Parent company
Merck Life Science N.V., Holland	Parent company

### Transactions

Sale of goods DKK 47,133

Purchase of goods and services DKK 1,258,001,865

Service fee to group companies DKK 9,629,625

All Intercompany balances as of 31st of December 2023 are disclosed in the Balance Sheet

Apart from the above, there have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

### Consolidated Financial Statements

The Company is included in the Group Annual Report of the following companies:

<u>Name</u>	<u>Place of registered office</u>
Merck KGaA (largest group)	Darmstadt, Germany
Merck Life Science N.V. (smallest group)	LL Zwijndrecht, Holland

The Group Annual Report of Merck Life Science N.V. may be obtained at the following address:

Stationsplein 4 E, 3331 LL Zwijndrecht, Holland

## 15. Fee to auditors appointed at the general meeting

Pursuant to Section 96(3) of the Danish financial statements Act, fees for auditor elected by the general assembly are not disclosed as these are included in the consolidated financial statements for Merck KGaA.

## 16. Subsequent events

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

# Notes to the Financial Statements

## 17. Accounting policies

The Annual Report of Merck Life Science A/S for 2023 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 2023 are presented in DKK.

### 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 Merck KGaA, the Company has not prepared a cash flow statement.

### 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.

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.

### Segment information on 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.

### Incentive schemes

The value of share-based payment, including share option and warrant plans that do not involve an outflow of cash and cash equivalents, offered to the Executive Board and a number of senior employees is not recognised in the income statement. The most significant conditions of the share option plans are disclosed in the notes.

# Notes to the Financial Statements

## 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 materials and consumables that have been purchased in order to obtain the revenue budgeted for the year.

### Other external expenses

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

### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

### Amortisation, depreciation and impairment losses

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

### 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 property, plant and equipment.

### Financial income and expenses

Financial income and expenses include interest, gains and losses on transactions in foreign currency and liabilities, as well as surcharges and allowances under the on-account taxation scheme, etc.

### 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.

## Balance sheet

### Intangible fixed assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 10 years.

### Impairment of fixed assets

The carrying amounts of intangible assets 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.

# Notes to the Financial Statements

## **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, raw materials and consumables equals landed cost.

## **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.

## **Prepayments**

Prepayments comprise prepaid expenses concerning the forthcoming financial year.

## ***Dividend***

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

## **Equity**

### **Dividend**

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

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 liabilities**

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

### **Deferred income**

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

# Notes to the Financial Statements

## Financial Highlights

### Explanation of financial ratios

Gross margin	$\text{Gross profit} \times 100 / \text{Revenue}$
Profit margin	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Revenue}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$