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# ***MSD Danmark ApS***

Havneholmen 25, DK-1561 København V

## **Annual Report for 1 January - 31 December 2015**

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CVR No 29 88 37 18

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
31/5 2016

Thomas Weincke  
Chairman

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## **Management's Statement**

The Executive Board has today considered and adopted the Annual Report of MSD Danmark ApS for the financial year 1 January - 31 December 2015.

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 2015 of the Company and of the results of the Company operations for 2015.

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.

Copenhagen, 31 May 2016

### **Executive Board**

Anita Ouwerkerk  
CEO

Christopher John Foreman

Torben Dahl

# **Independent Auditor's Report on the Financial Statements**

To the Shareholder of MSD Danmark ApS

## **Report on the Financial Statements**

We have audited the Financial Statements of MSD Danmark ApS for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

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

Our audit has not resulted in any qualification.

### **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

# **Independent Auditor's Report on the Financial Statements**

## **Statement on Management's Review**

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

Hellerup, 31 May 2016

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Ulrik Ræbild  
State Authorised Public Accountant

Thomas Lauritsen  
State Authorised Public Accountant

## **Company Information**

### **The Company**

MSD Danmark ApS  
Havneholmen 25  
DK-1561 København V

Telephone: 44 82 40 00  
Website: [www.msd.dk](http://www.msd.dk)

CVR No: 29 88 37 18  
Financial period: 1 January - 31 December  
Municipality of reg. office: København

### **Executive Board**

Anita Ouwerkerk  
Christopher John Foreman  
Torben Dahl

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

# Financial Highlights

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

	2015 TDKK	2014 TDKK	2013 TDKK	2012 TDKK	2011 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	442.338	694.530	710.725	699.101	566.149
Gross profit/loss	126.394	116.231	128.504	120.784	75.761
Profit/loss before financial income and expenses	15.086	12.658	44.051	34.540	-20.047
Net financials	-2.398	-1.881	75	-415	-1.984
Net profit/loss for the year	8.341	5.273	31.668	23.640	-21.856
<b>Balance sheet</b>					
Balance sheet total	269.493	446.512	419.845	399.463	464.587
Equity	22.758	29.417	47.803	195.135	171.495
Investment in property, plant and equipment	0	79	434	252	-8.136
Number of employees	108	114	126	145	130
<b>Ratios</b>					
Gross margin	28,6%	16,7%	18,1%	17,3%	13,4%
Profit margin	3,4%	1,8%	6,2%	4,9%	-3,5%
Return on assets	5,6%	2,8%	10,5%	8,6%	-4,3%
Solvency ratio	8,4%	6,6%	11,4%	48,8%	36,9%
Return on equity	32,0%	13,7%	26,1%	12,9%	-13,6%

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.

## **Management's Review**

The Annual Report of MSD Danmark ApS ("MSD Danmark" or the "Company") for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

### **Main activity**

The Company's business is importing and selling pharmaceuticals to treat patients with chronic inflammatory diseases, diabetes, cardio-vascular diseases, hepatitis, oncology, antibiotics, HIV as well as fertility and contraception

### **Developments over the year**

In 2015, the overall revenues declined by 33% primarily driven by loss of exclusivity on Remicade. MSD Danmark also launched a new oncology product (Keytruda) in the 2nd half of 2015. This product will have a significantly impact on the treatment of melanoma, which is the first of many expected indications for Keytruda. The overall result for 2015 was as expected and Management concludes that the result was satisfying.

### **Knowledge Resources**

MSD Danmark is a knowledge intensive company, which employs 108 skilled and dedicated employees. Approximately 85% of employees are specialists with specific knowledge in research, development, sales and marketing of Human therapeutics.

### **Special Risks**

The Company is not exposed to particular operational risks or risks relating to financial matters.

### **Research**

Clinical research is an important part of MSD Danmark's strategic plan, and Global Clinical Trial Organization (GCTO) is MSD's clinical research department. On a worldwide scale, GCTO runs clinical research in nearly 50 countries, and GCTO Danmark is one of the country's largest clinical trial departments making MSD Danmark one the international pharmaceutical companies which invest most in clinical research in Denmark. Annual investments in research amount to approximately DKK 73 million.



# Management's Review

## Public/private partnerships

Through our diversity of leading treatments, MSD has far-reaching engagements with the Danish health care system and provides an expertise deeply rooted in our scientific legacy. It is our wish and strategy to engage in partnerships and form alliances to find innovative solutions that meet the needs of patients and face the challenges of health care systems. Therefore, we have entered and will continue to enter into public and private partnerships with the purpose of supporting research and improving public health in Denmark. The ambition is to find new, innovative solutions which meet the patients' needs as well as the challenges which the Danish health care system is facing.

An example is MSD Denmark's engagement in the NEXT Partnership, a public private partnership established in 2014, that envisions Denmark as a world-class country of choice for early clinical testing of new medicine in patients which will strengthen early clinical research in Denmark, and provide Danish patients early access to novel medical therapy. NEXT is supported by the Innovation Fund Denmark. The partners are the Danish university hospitals, the Danish regions and five pharmaceutical companies, including MSD Denmark.

In 2015, the NEXT launched two new clinical research centers within dermatology and oncology. In the following years NEXT will expand within other diseases for which Danish clinical researchers have internationally competitive medical expertise.

Another example is MSD Denmark's partnership with Copenhagen University and Danish Capital Region, which focuses on improving clinical research and public health in the Region. The partnership was established in 2014, and will in the coming four years continue to focus on two primary objectives: focus on contributing to the transfer of results from the research lab to the clinic; and increased public health via strengthened public/private co-operation.

The agreement includes a number of initiatives, primarily within the main areas of clinical trials and public health. The partnership is based on the government's growth plan for health and welfare solutions. The three parties already co-operate on a large number of projects in research/development and the implementation of clinical trials, and a key ambition of the partnership is make Copenhagen an international hub for clinical research.

## Corporate Responsibility

MSD Denmark is part of Merck & Co., Kenilworth, New Jersey, and as such, also of the overall Corporate Responsibility policies of Merck & Co., Inc. MSD Denmark contributes to the global policies for Environmental Sustainability; Human Rights and many other areas as found on the Global Web sites: [www.msdrresponsibility.com](http://www.msdrresponsibility.com) and [www.merckformothers.com](http://www.merckformothers.com)

At local level, MSD Denmark's Corporate Responsibility strategy is put into practice through:

### Partnership with the Danish NGO Maternity Foundation with the aim of reducing maternal mortality

In 2012, MSD launched a global, 10-year, USD 500 billion initiative with the objective to reduce maternal mortality. Maternal mortality is the 8th of the 15 Millennium Goals set by the UN with the objective of

## **Management's Review**

reducing poverty, and the goal which has made the least progress to date. MSD Danmark is actively involved in MSD for Mother via our partnership with the Danish NGO Maternity Foundation, which works to save mothers' and newborns in Sub-Saharan Africa.

In 2015, a key milestone in the partnership was the launch of the Safe Delivery App; an innovative Health tool based on mobile technology, which trains and helps health workers in remote areas to deal with the most common complication in relation to childbirth.

MSD Danmark has supported the promotion of the Safe Delivery App to an international audience at the United Nations General Assembly Week in September 2015.

In addition, focus has been on the development of a roll-out strategy for the Safe Delivery App, to be implemented in 2016-17. The aim is to reach 10,000 health workers with quality training by 2017. And with this Maternity Foundation hope to ensure that 1 million women will give birth with a better skilled birth attendant.

### **Volunteerism**

All employees have the opportunity to participate in volunteer work for up to 40 hours yearly. In 2015, the main objective was to support the work of Maternity Worldwide, mentioned above, through fundraising and awareness activities. More than 50% of employees were involved in these activities to a varied extent.

### **Working environment & employee development**

MSD Danmark has work environment policies which focus on professionalism, safety and physical and mental well-being. This is reflected by offering employees flexible working hours, a business coach as well as the opportunity to work from home. MSD Danmark also offers its employees national and international development and continuing education, externally as well as through extensive internal training programs.

### **Ethical standards**

MSD Danmark strives through professionalism and innovation to ensure that we are – and remain – a credible and relevant partner for stakeholders in all of our therapeutic areas; whether it regards doctors, patient associations, healthcare authorities or others. MSD Danmark's policy of collaboration with stakeholders follows Pharmaceutical Industry Associations "Ethical Guidelines". MSD Danmark is also part of the pharmaceutical industry association lobby codex.

### **Gender equality of the Leadership Team**

The Danish Leadership Team consists of four women and four men. The Managing Director of MSD Denmark is female.

# **Management's Review**

## **Equality in MSD Danmark's management levels**

MSD Danmark has implemented an equal opportunities policy to all levels of management within the company. The policy is an addition to the personnel policy and sets targets for gender equality at all levels of management with employee responsibility. In 2015, the company was not underrepresented at any level of management. MSD Danmark considers recruitment, training and development as important to continue to ensure equality in the company at management levels.

## **Subsequent events**

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

## **Expected development**

The Company expects its revenue in 2016 to be slightly above the result for 2015, despite the full year impact of MSD Danmark's highest selling product Remicade going off patent in 2015. Keytruda and new launches will compensate for the loss on Remicade.

## Income Statement 1 January - 31 December

	Note	2015 TDKK	2014 TDKK
<b>Revenue</b>		<b>442.338</b>	<b>694.530</b>
Other operating income		4.438	3.910
Expenses for raw materials and consumables		-226.783	-506.322
Other external expenses		-93.599	-75.887
<b>Gross profit/loss</b>		<b>126.394</b>	<b>116.231</b>
Staff expenses	1	-109.922	-102.080
Depreciation and amortisation		-1.386	-1.493
<b>Profit/loss before financial income and expenses</b>		<b>15.086</b>	<b>12.658</b>
Financial income	2	876	476
Financial expenses	3	-3.274	-2.357
<b>Profit/loss before tax</b>		<b>12.688</b>	<b>10.777</b>
Tax on profit/loss for the year	5	-4.347	-5.504
<b>Net profit/loss for the year</b>		<b>8.341</b>	<b>5.273</b>

## Distribution of profit

### Proposed distribution of profit

Proposed dividend for the year	0	15.000
Retained earnings	8.341	-9.727
	<b>8.341</b>	<b>5.273</b>

# Balance Sheet 31 December

## Assets

	Note	2015 TDKK	2014 TDKK
Other fixtures and fittings, tools and equipment		1.729	2.465
Leasehold improvements		455	1.105
Property, plant and equipment in progress		4.897	0
<b>Property, plant and equipment</b>	6	<b>7.081</b>	<b>3.570</b>
Investments in subsidiaries	8	127	0
Other receivables	7	3.694	4.291
<b>Fixed asset investments</b>		<b>3.821</b>	<b>4.291</b>
<b>Fixed assets</b>		<b>10.902</b>	<b>7.861</b>
<b>Inventories</b>		<b>16.471</b>	<b>0</b>
Trade receivables		154.553	378.927
Receivables from group enterprises		74.858	50.390
Other receivables		5.786	3.718
Deferred tax asset	11	3.774	3.090
Prepayments		1.096	1.072
<b>Receivables</b>		<b>240.067</b>	<b>437.197</b>
<b>Cash at bank and in hand</b>		<b>2.053</b>	<b>1.454</b>
<b>Currents assets</b>		<b>258.591</b>	<b>438.651</b>
<b>Assets</b>		<b>269.493</b>	<b>446.512</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2015 TDKK	2014 TDKK
Share capital		1.601	1.601
Retained earnings		21.157	12.816
Proposed dividend for the year		0	15.000
<b>Equity</b>	9	<b>22.758</b>	<b>29.417</b>
Other provisions	10	28.007	15.990
<b>Provisions</b>		<b>28.007</b>	<b>15.990</b>
Trade payables		32.061	22.648
Payables to group enterprises		156.328	342.935
Corporation tax		247	628
Other payables		30.092	34.894
<b>Short-term debt</b>		<b>218.728</b>	<b>401.105</b>
<b>Debt</b>		<b>218.728</b>	<b>401.105</b>
<b>Liabilities and equity</b>		<b>269.493</b>	<b>446.512</b>
Contingent assets, liabilities and other financial obligations	12		
Fee to auditors appointed at the general meeting	4		
Related parties	13		

## Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1.601	12.816	15.000	29.417
Ordinary dividend paid	0	0	-15.000	-15.000
Net profit/loss for the year	0	8.341	0	8.341
<b>Equity at 31 December</b>	<b>1.601</b>	<b>21.157</b>	<b>0</b>	<b>22.758</b>

# Notes to the Financial Statements

	2015 TDKK	2014 TDKK
<b>1 Staff expenses</b>		
Wages and salaries	112.513	117.994
Pensions	10.958	10.587
Other social security expenses	1.673	1.847
Recharged costs	-15.222	-28.348
	<b>109.922</b>	<b>102.080</b>
<b>Including remuneration to the Executive Board</b>	<b>6.013</b>	<b>5.337</b>
<b>Average number of employees</b>	<b>108</b>	<b>114</b>
<p>MSD Danmark ApS's ultimate Parent Company Merck &amp; Co., Inc. has established equity-settled, share-based payment arrangement (stock option and "Restricted Stock Units" programmes), which include the employees of MSD Danmark ApS. At the time the employee exercises the stock option MSD Danmark ApS is invoiced by the ultimate Parent Company, while the cost regarding "Restricted Stock Units" alone are borne by the ultimate Parent Company. The potential liability for outstanding stock options that are not recognised in the balance sheet amounts to DKK 5,729k (2014: DKK 10,466k) based on the share price at 31 December 2015.</p>		
<b>2 Financial income</b>		
Interest received from group enterprises	0	3
Exchange adjustments	876	473
	<b>876</b>	<b>476</b>
<b>3 Financial expenses</b>		
Interest paid to group enterprises	382	539
Other financial expenses	165	432
Exchange adjustments	2.727	1.386
	<b>3.274</b>	<b>2.357</b>
<b>4 Fee to auditors appointed at the general meeting</b>		
Audit fee to PricewaterhouseCoopers	332	332
Other services	60	60
	<b>392</b>	<b>392</b>



## Notes to the Financial Statements

	2015 TDKK	2014 TDKK
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	4.891	4.833
Deferred tax for the year	-684	-38
Adjustment of tax concerning previous years	140	709
	<b>4.347</b>	<b>5.504</b>

## 6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK	Property, plant and equipment in progress TDKK
Cost at 1 January	5.696	3.396	0
Additions for the year	0	0	4.897
Cost at 31 December	5.696	3.396	4.897
Impairment losses and depreciation at 1 January	3.231	2.291	0
Depreciation for the year	736	650	0
Impairment losses and depreciation at 31 December	3.967	2.941	0
<b>Carrying amount at 31 December</b>	<b>1.729</b>	<b>455</b>	<b>4.897</b>
Depreciated over	3-10 years	5-10 years	

## 7 Other fixed asset investments

	Other receivables TDKK
Cost at 1 January	4.291
Additions for the year	3.121
Disposals for the year	-2.000
Transfers for the year	-1.718
Cost at 31 December	3.694
<b>Carrying amount at 31 December</b>	<b>3.694</b>

# Notes to the Financial Statements

	2015 TDKK	2014 TDKK
<b>8 Investments in subsidiaries</b>		
Cost at 1 January	0	0
Additions for the year	127	0
<b>Carrying amount at 31 December</b>	<b>127</b>	<b>0</b>
Cubist Pharmaceuticals Danmark ApS has ceased as at 31 March 2016.		

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Cubist Pharmaceuticals Danmark ApS	København	TDKK 125	100%	127	37

## 9 Equity

The share capital consists of 1 share of a nominal value of TDKK 1,601. No shares carry any special rights.

The share capital has developed as follows:

	2015 TDKK	2014 TDKK	2013 TDKK	2012 TDKK	2011 TDKK
Share capital at 1 January	1.601	1.601	1.601	1.601	1.600
Capital increase	0	0	0	0	1
Capital decrease	0	0	0	0	0
<b>Share capital at 31 December</b>	<b>1.601</b>	<b>1.601</b>	<b>1.601</b>	<b>1.601</b>	<b>1.601</b>

## 10 Other provisions

Other provisions consist of obligations related to repurchasing sold goods, where the company is obliged to repurchase the goods upon expiry.

## Notes to the Financial Statements

	2015 TDKK	2014 TDKK
<b>11 Provision for deferred tax</b>		
Property, plant and equipment	-242	-136
Inventories	-1.488	0
Other accrued liabilities	-1.884	0
Other provisions	-160	-2.954
Transferred to deferred tax asset	3.774	3.090
	<b>0</b>	<b>0</b>
<b>Deferred tax asset</b>		
Calculated tax asset	3.774	3.090
<b>Carrying amount</b>	<b>3.774</b>	<b>3.090</b>

## 12 Contingent assets, liabilities and other financial obligations

### Contingent liabilities

Rental and lease commitments comprise rent of premises and lease of vehicles and amounts to DKK 50,665k.  
(2014: DKK 28,255k)

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income.

# Notes to the Financial Statements

## 13 Related parties

	<b>Basis</b>
<b>Controlling interest</b>	
Merck & Co., Inc. 2000 Galloping Hill Road Kenilworth NJ 07033 USA	Ultimate parent company
MSD Human Health Holding B.V. Kloosterstraat 6 5349 AB, Oss Netherlands	Controlling shareholder
<b>Other related parties</b>	
Anita Ouwerkerk	Executive Board
Christopher John Foreman	Executive Board
Torben Dahl	Executive Board

### ***Consolidated Financial Statements***

The Company is included in the Group Annual Report of the Parent Company Merck & Co., Inc.

The Group Annual Report for Merck & Co., Inc may be obtained at the following address:

Merck & Co., Inc.  
2000 Galloping Hill Road  
Kenilworth NJ  
07033 USA

[www.merck.com](http://www.merck.com)

# **Accounting Policies**

## **Basis of Preparation**

The Annual Report of MSD Danmark ApS for 2015 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.

Financial Statements for 2015 are presented in TDKK.

## **Consolidated financial statements**

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Merck & Co., Inc, 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 Merck & Co., Inc, 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.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

## **Translation policies**

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

## **Accounting Policies**

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 transaction date rates are recognised in financial income and expenses in the income statement.

### **Income Statement**

#### **Revenue**

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

#### **Expenses for raw materials and consumables**

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

#### **Other external expenses**

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

Other external expenses also include research and development costs that do not qualify for capitalisation.

#### **Staff expenses**

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

#### **Amortisation and depreciation**

Amortisation and depreciation comprise amortisation and depreciation of property, plant and equipment.

#### **Other operating income and expenses**

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise, including gains and losses on the sale of intangible assets and property, plant and equipment and mark-up on the Company's researchs activities.

#### **Financial income and expenses**

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

# Accounting Policies

## 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 Danish group enterprises. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

## Balance Sheet

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings ect.	3-10 years
Leasehold improvements	5-10 years

Assets costing less than DKK 12,800 are expensed in the year of acquisition.

### Impairment of fixed assets

The carrying amounts of 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, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount. This impairment test is performed on an annual basis for development projects in progress irrespective of any indication of impairment.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

### Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

# Accounting Policies

## 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 in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of goods for resale equals landed cost.

## Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

## Prepayments

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

## 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.

## 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, including the tax base of tax loss carry-forwards, 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.



# **Accounting Policies**

## **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**

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

## **Cash Flow Statement**

Referring to section 86(4) of the Danish Financial Statement Act, the Company has not prepared any cash flow statement as MSD Danmark ApS is included in the cash flow statement for the Merck & Co., Inc. Group.

## Accounting Policies

### 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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$