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# ***MSD Danmark ApS***

Havneholmen 25, DK-1561 København V

## **Annual Report for 1 January - 31 December 2021**

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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  
04/07 2022

Thomas Weincke  
Chairman

# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report	2
<b>Management's Review</b>	
Company Information	5
Financial Highlights	6
Management's Review	7
<b>Financial Statements</b>	
Income Statement 1 January - 31 December	11
Balance Sheet 31 December	12
Statement of Changes in Equity	14
Notes to the Financial Statements	15

# **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 2021.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and of the results of the Company operations for 2021.

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, 4 July 2022

## **Executive Board**

Catherine Rebecca Sidgreaves  
CEO

Emmanuel Guy Marie Thiéry

Torstein Winterstø Ljøkjel

# **Independent Auditor's Report**

To the Shareholder of MSD Danmark ApS

## **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of MSD Danmark ApS for the financial year 1 January - 31 December 2021, 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' 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.

## **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, 4 July 2022

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Ulrik Ræbild  
State Authorised Public Accountant  
mne33262

Thomas Lauritsen  
State Authorised Public Accountant  
mne34342

## **Company Information**

### **The Company**

MSD Danmark ApS  
Havneholmen 25  
DK-1561 København V

Telephone: + 45 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: Copenhagen

### **Executive Board**

Catherine Rebecca Sidgreaves  
Emmanuel Guy Marie Thiéry  
Torstein Winterstø Ljøkjel

### **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:

	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	761.506	754.065	733.617	682.930	571.204
Profit/loss before financial income and expenses	35.040	24.820	21.572	18.481	24.439
Net financials	-307	-2.710	-102	-81	286
Net profit/loss for the year	26.200	16.530	15.471	13.255	17.266
<b>Balance sheet</b>					
Balance sheet total	325.330	386.565	311.173	236.722	213.673
Equity	99.406	73.206	77.964	62.493	49.238
Investment in property, plant and equipment	212	65	0	319	0
Number of employees	112	118	121	116	119
<b>Ratios</b>					
Gross margin	19,4%	20,5%	19,3%	18,9%	24,3%
Profit margin	4,6%	3,3%	2,9%	2,7%	4,3%
Return on assets	10,8%	6,4%	6,9%	7,8%	11,4%
Solvency ratio	30,6%	18,9%	25,1%	26,4%	23,0%
Return on equity	30,4%	21,9%	22,0%	23,7%	42,5%

The ratios have been prepared in accordance with the definitions described under accounting policies.



## **Management's Review**

The Annual Report of MSD Danmark ApS ("MSD Danmark" or the "Company") for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying for large enterprises of reporting class C.

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

### **Key activities**

The Company's business is importing and selling pharmaceuticals to treat patients within oncology, vaccines, acute hospital care, diabetes, cardio-vascular diseases, hepatitis, antibiotics as well as HIV.

### **Development in the year**

The income statement of the Company for 2021 shows a profit of TDKK 26,200, and at 31 December 2021 the balance sheet of the Company shows equity of TDKK 99,406.

In 2021 overall revenue grew by 1%. The growth was primarily driven by Oncology, Vaccines and Hospital Care, and the growth in revenue was in line with expectations. The EBIT and EBITDA margins were higher than expectations for 2021 due to lower costs. Management concludes that the results for the year was satisfying.

### **Knowledge Resources**

MSD Danmark is a knowledge intensive company, which employs 112 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.

# 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 – be it formal or informal - with the purpose of supporting research and improving public health in Denmark.

## Statement of corporate social responsibility

### Business model

MSD Danmark ApS business is importing and selling pharmaceuticals to treat patients within oncology, vaccines, acute hospital care, diabetes, cardio-vascular diseases, hepatitis, antibiotics as well as HIV.

For more than a century, MSD has been inventing medicines and vaccines for many of the world's most challenging diseases and we have built a company with the talent, tenacity and strength to take on some of the biggest threats to human and animal health. Reflecting our commitment to managing environmental, social and governance (ESG) issues, we continue to focus our approach to corporate responsibility in four primary areas that are of greatest relevance to our business and society.

Please refer to <https://www.msdrresponsibility.com> for in-depth information to MSD's corporate social responsibility.

## Principles

### Environment

Our company strives to conduct business in a safe and environmentally responsible manner. We are committed to providing a safe and healthy workplace and reducing the environmental impact of our operations around the world. We believe that promoting wellness for employees and respect for the environment is not just the lawful thing to do; it's the right thing to do (<https://www.msdrresponsibility.com/environmental-sustainability>). Management believes that the guidelines for the environmental area have been maintained in 2021 and there have been no violations of the principles in the financial year. We will continue our focus in this area in 2022.

### Social & Employee responsibility

We recognize that our ability to excel depends on the integrity, knowledge, imagination, skill, diversity and teamwork of our employees. A positive, inclusive and high-performing work environment is essential for employees to feel welcomed and valued, and to fully achieve their business objectives. We value global diversity and inclusion at every level of the organization and strive for inclusiveness in every aspect of work. Harnessing the knowledge and insights of a globally diverse workforce requires leadership, a corporate culture of respect and full engagement, and a thoughtful and strategic approach to workplace inclusion and employee development and well-being - physical, emotional, social and

## **Management's Review**

financial. Management believes that the guidelines for the area of social & employee responsibilities have been maintained in 2021 and there have been no violations of the principles in the financial year. We will continue our efforts in this area in 2022.

### **Human rights, anti-corruption and anti-bribery**

The people who use, recommend, or prescribe our products have placed their trust in us. No matter how strong our reputation, we must re-earn that trust every day by practicing the values and standards that have guided this company for more than 100 years.

We work hard to make sure that the integrity of this company remains a priority for every one of our employees - every day, at every level of our company. Our code of conduct, which we publish for employees under the title Our Values and Standards, helps to make sure that our employees understand what is expected of them, and provides guidance on business standards and practices. This is just one of the many ways that we continually reinforce the values on which this company was built. We believe in the dignity of every human being and recognize the international human rights principles. All employees at the company have the right to feel safe, secure and fairly treated. Our Company does not take part in any form of activity that violates these rights.

Operating with ethics, integrity and respect for human rights is critical to our success. Being a responsible workplace also means having clear rules in place for ethical conduct for employees and the company as a whole. Our company's robust anti-corruption program and corporate prevention of bribery and corruption policy give our employees the awareness and knowledge to comply with applicable laws and regulations, and to understand that the company will not tolerate any act, or even the appearance of, impropriety.

Management believes that the guidelines for the areas of human rights, anti-corruption and anti-bribery have been maintained in 2021 and there have been no violations of the principles in the financial year. We will continue our efforts in this area in 2022.

### **Principles - risks**

We do not perceive risks related to Environment, Social & Employee responsibility, Human Rights, Anti-corruption and Anti-bribery, nor our principles. We operate in a well-regulated market, and we have strong governance surrounding our supply chain network.

### **Data ethics**

Information about our company, products and people is one of our most valuable assets. We are committed to ethical use, management and protection of information.

Our commitment applies not only to our company's information, but also to the information entrusted to us by others. Our tools, processes and procedures ensure that we appropriately collect, use and safeguard information throughout its life cycle to ensure integrity of information and to prevent unauthorized access and disclosure.

## **Management's Review**

We are increasingly reliant on third party partners and service providers to assist us in our global operations. Just as we need to pay close attention to privacy and data protection, so do the third parties that comprise our supply chain. Our company employs a robust third-party due diligence process to ensure that we only do business with reputable third parties who share our values and standards.

Our approach is one of accountability and transparency. The heart of this program is a leveraged, world class Global Privacy Program that manifests itself throughout the world as a network of over 200 Privacy Stewards deployed around the globe. Program maturity is measured through a combination of annual privacy self-assessments at the entity and organization level and by comprehensive privacy audits conducted by internal audit.

Our company also provides annual mandatory cybersecurity training to communicate and reinforce the guidelines in the Information Security Standards Handbook and our commitment to a strong cybersecurity culture. We have established a systematic approach for ensuring employees can understand and comply with company policies.

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

The Executive Board comprises of 3 members, 2 men and 1 woman. The Extended Danish Leadership Team consists of eight women and six men.

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 2021, 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.

### **Uncertainty relating to recognition and measurement**

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

### **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 2022 to be 5-10% above the result for 2021. The main drivers for the sales growth are Oncology, Vaccines and Hospital Care. The expectation is that the EBIT and EBITDA margins will be lower than 2021 and in the range of 2-6%.

## Income Statement 1 January - 31 December

	Note	2021 TDKK	2020 TDKK
<b>Revenue</b>	2	<b>761.506</b>	<b>754.065</b>
Other operating income		2.274	2.833
Expenses for raw materials and consumables		-563.437	-544.097
Other external expenses		-52.715	-58.104
<b>Gross profit/loss</b>		<b>147.628</b>	<b>154.697</b>
Staff expenses	3	-110.881	-128.224
Depreciation and amortisation		-1.280	-1.653
Other operating expenses		-427	0
<b>Profit/loss before financial income and expenses</b>		<b>35.040</b>	<b>24.820</b>
Financial income	4	71	183
Financial expenses	5	-378	-2.893
<b>Profit/loss before tax</b>		<b>34.733</b>	<b>22.110</b>
Tax on profit/loss for the year	6	-8.533	-5.580
<b>Net profit/loss for the year</b>		<b>26.200</b>	<b>16.530</b>
<b>Proposed distribution of profit</b>			
Proposed dividend for the year		80.000	0
Retained earnings		-53.800	16.530
		<b>26.200</b>	<b>16.530</b>

# Balance Sheet 31 December

## Assets

	Note	2021 TDKK	2020 TDKK
Other fixtures and fittings, tools and equipment		1.996	2.488
Leasehold improvements		2.976	3.701
Property, plant and equipment in progress		212	65
<b>Property, plant and equipment</b>	<b>7</b>	<b>5.184</b>	<b>6.254</b>
Other receivables		3.049	3.049
<b>Fixed asset investments</b>	<b>8</b>	<b>3.049</b>	<b>3.049</b>
<b>Fixed assets</b>		<b>8.233</b>	<b>9.303</b>
Trade receivables		284.972	189.322
Receivables from group enterprises		27.679	182.923
Other receivables		1.789	941
Deferred tax asset	9	76	1.374
Prepayments	10	2.416	2.342
<b>Receivables</b>		<b>316.932</b>	<b>376.902</b>
<b>Cash at bank and in hand</b>		<b>165</b>	<b>360</b>
<b>Currents assets</b>		<b>317.097</b>	<b>377.262</b>
<b>Assets</b>		<b>325.330</b>	<b>386.565</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2021 TDKK	2020 TDKK
Share capital	11	1.601	1.601
Retained earnings		17.805	71.605
Proposed dividend for the year		80.000	0
<b>Equity</b>		<b>99.406</b>	<b>73.206</b>
Other provisions	13	194	4.224
<b>Provisions</b>		<b>194</b>	<b>4.224</b>
Other payables		0	12.774
<b>Long-term debt</b>	14	<b>0</b>	<b>12.774</b>
Trade payables		18.100	14.260
Payables to group enterprises		144.030	236.471
Corporation tax		2.528	1.790
Other payables	14	61.072	43.840
<b>Short-term debt</b>		<b>225.730</b>	<b>296.361</b>
<b>Debt</b>		<b>225.730</b>	<b>309.135</b>
<b>Liabilities and equity</b>		<b>325.330</b>	<b>386.565</b>
Subsequent events	1		
Distribution of profit	12		
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	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1.601	71.605	0	73.206
Net profit/loss for the year	0	-53.800	80.000	26.200
<b>Equity at 31 December</b>	<b>1.601</b>	<b>17.805</b>	<b>80.000</b>	<b>99.406</b>



# Notes to the Financial Statements

## 1 Subsequent events

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

## 2 Revenue

Geographical segments has not been specified in accordance with section 96(1) of the Danish Financial Statement Act, as the Company only operates in one geographical segment with one activity being the sales of human pharmaceuticals.

## 3 Staff expenses

	2021 TDKK	2020 TDKK
Wages and salaries	105.419	127.801
Pensions	11.344	11.393
Other social security expenses	717	1.588
Recharged costs	-6.599	-12.558
	<b>110.881</b>	<b>128.224</b>
 Including remuneration to the Executive Board	 <b>3.033</b>	 <b>3.879</b>
 Average number of employees	 <b>112</b>	 <b>118</b>

## 4 Financial income

Exchange adjustments	71	183
	<b>71</b>	<b>183</b>

## 5 Financial expenses

Interest paid to group enterprises	32	28
Other financial expenses	173	102
Exchange adjustments	173	2.763
	<b>378</b>	<b>2.893</b>

## Notes to the Financial Statements

	2021 TDKK	2020 TDKK
<b>6 Tax on profit/loss for the year</b>		
Current tax for the year	7.248	5.372
Deferred tax for the year	1.298	208
Adjustment of tax concerning previous years	-13	0
	<b>8.533</b>	<b>5.580</b>

## 7 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	7.065	7.244	65
Additions for the year	0	0	212
Transfers for the year	65	0	-65
Cost at 31 December	<b>7.130</b>	<b>7.244</b>	<b>212</b>
Impairment losses and depreciation at 1 January	4.577	3.543	0
Depreciation for the year	557	725	0
Impairment losses and depreciation at 31 December	<b>5.134</b>	<b>4.268</b>	<b>0</b>
<b>Carrying amount at 31 December</b>	<b>1.996</b>	<b>2.976</b>	<b>212</b>
Depreciated over	<b>3-10 years</b>	<b>5-10 years</b>	

## 8 Fixed asset investments

	Other receivables TDKK
Cost at 1 January	3.049
Cost at 31 December	3.049
<b>Carrying amount at 31 December</b>	<b>3.049</b>

## Notes to the Financial Statements

	2021 TDKK	2020 TDKK
<b>9 Deferred tax asset</b>		
Deferred tax asset at 1 January	1.374	1.582
Amounts recognised in the income statement for the year	-1.298	-208
<b>Deferred tax asset at 31 December</b>	<b>76</b>	<b>1.374</b>
Intangible assets	-90	-135
Property, plant and equipment	90	90
Other provisions	-76	-1.329
Transferred to deferred tax asset	76	1.374
	<b>0</b>	<b>0</b>
<b>Deferred tax asset</b>		
Calculated tax asset	76	1.374
<b>Carrying amount</b>	<b>76</b>	<b>1.374</b>

The recognised tax asset comprises temporary differences. Deferred tax is expected to be utilised within the next three to four years.

## 10 Prepayments

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

## 11 Equity

The share capital consists of 1.601 shares of a nominal value of TDKK 1.000. No shares carry any special rights.

	2021 TDKK	2020 TDKK
<b>12 Distribution of profit</b>		
Proposed dividend for the year	80.000	0
Retained earnings	-53.800	16.530
	<b>26.200</b>	<b>16.530</b>

# Notes to the Financial Statements

## 13 Other provisions

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

Other provisions	194	4.224
	<b>194</b>	<b>4.224</b>

## 14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

### Other payables

Between 1 and 5 years	0	12.774
Long-term part	0	12.774
Other short-term payables	61.072	43.840
	<b>61.072</b>	<b>56.614</b>

## 15 Contingent assets, liabilities and other financial obligations

### Contingent liabilities

The Danish group companies of Merck & Co. are jointly and severally liable for tax on the jointly taxed incomes etc of the Group, with MSD Danmark ApS as the management company of the joint taxation. The total amount of corporation tax payable by the Group has not yet been calculated. Moreover, the Danish 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.

Rental and lease commitments comprise rent of premises and lease of vehicles and amounts to DKK 10.421k (2020: DKK 10.044k).

# Notes to the Financial Statements

## 16 Related parties

	<b>Basis</b>
<b>Controlling interest</b>	
Merck & Co., Inc. 126 East Lincoln Avenue P.O. Box 2000 Rahway, NJ 07065 USA	Ultimate parent company
MSD Human Health Holding B.V. Kloosterstraat 6 5349 AB, Oss 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 Merck & Co., Inc.

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

Merck & Co., Inc.  
126 East Lincoln Avenue  
P.O. Box 2000  
Rahway, NJ  
07065 USA

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

## Notes to the Financial Statements

	2021	2020
	TDKK	TDKK
<b>17 Fee to auditors appointed at the general meeting</b>		
Audit fee to PricewaterhouseCoopers	325	234
Other assurance engagements	30	0
Other services	148	96
	<b>503</b>	<b>330</b>

# Notes to the Financial Statements

## 18 Accounting Policies

The Annual Report of MSD Danmark ApS for 2021 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 2021 are presented in TDKK.

### 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. 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.

# Notes to the Financial Statements

## **18 Accounting Policies** (continued)

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

## **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 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 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 and mark-up on the Company's research activities.

### **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

## 18 Accounting Policies (continued)

### Tax on profit/loss for the year

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

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with companies Danish Group. The tax effect of the joint taxation with the subsidiaries is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

## 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

The fixed assets' residual values are determined at nil.

### 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. If so, 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.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

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.

### Fixed asset investments

Fixed asset investments consist of deposits.

### 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 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.

# Notes to the Financial Statements

## **18 Accounting Policies** (continued)

### **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

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