
Merck A/S

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

Annual Report for 1 January - 31 December 2021

CVR No 32 93 22 74

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
24/5 2022

Enrique Manuel
ÁlvarezFernández
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 A/S 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.

Søborg, 24 May 2022

Executive Board

Enrique Manuel Álvarez
Fernández

Board of Directors

David Mouyal
Chairman

Tiina Marjatta Puhakka

Enrique Manuel Álvarez
Fernández

Independent Auditor's Report

To the Shareholder of Merck A/S

Opinion

We have audited the Financial Statements of Merck A/S 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 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 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.

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

Independent Auditor's Report

audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and 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 re-

Independent Auditor's Report

quired 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.

Copenhagen, 24 May 2022

KPMG

Statsautoriseret Revisionspartnerselskab

CVR No 25 57 81 98

Kenn Wolff Hansen

statsautoriseret revisor

mne30154

Company Information

The Company

Merck A/S
Vandtårnsvej 62A, 5. a.
DK-2860 Søborg

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E-mail: kontakt@merckgroup.com
Website: www.merck.dk

CVR No: 32 93 22 74
Financial period: 1 January - 31 December
Municipality of reg. office: Gladsaxe

Board of Directors

David Mouyal, Chairman
Tiina Marjatta Puhakka
Enrique Manuel Álvarez Fernández

Executive Board

Enrique Manuel Álvarez Fernández

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø

Management's Review

Principal activities of the Company

The Company's primary activities are within fertility, neurology and oncology.

Development in the year

The income statement of the Company for 2021 shows a profit of DKK 496,621, and at 31 December 2021 the balance sheet of the Company shows equity of DKK 25,707,568.

The expectations for 2021 were met.

Unusual events

FY21 was characterised by a radical shift from the abnormal to a new normal. At the beginning of the year, we were once again plunged into a now familiar situation – working from home during another lockdown. This time around we were adapt even more quickly and by the end of year we ended up a new normal.

The Board of Directors of Merck A/S has estimated that the Covid-19 pandemic has so far not had any significant impact on the demand for the company's products.

Subsequent events

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

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2021</u> DKK	<u>2020</u> DKK
Gross profit/loss		28.699.488	32.101.210
Staff expenses	1	-27.170.072	-26.791.582
Depreciation and impairment of property, plant and equipment	2	<u>-471.492</u>	<u>-479.030</u>
Profit/loss before financial income and expenses		1.057.924	4.830.598
Financial income	3	11.766	11.130
Financial expenses	4	<u>-126.252</u>	<u>-49.382</u>
Profit/loss before tax		943.438	4.792.346
Tax on profit/loss for the year	5	<u>-446.817</u>	<u>-1.171.899</u>
Net profit/loss for the year		<u>496.621</u>	<u>3.620.447</u>

Distribution of profit

Proposed distribution of profit

Retained earnings		<u>496.621</u>	<u>3.620.447</u>
		<u>496.621</u>	<u>3.620.447</u>

Balance Sheet 31 December

Assets

	Note	2021 DKK	2020 DKK
Other fixtures and fittings, tools and equipment		166.111	387.592
Leasehold improvements		187.508	437.519
Property, plant and equipment	6	353.619	825.111
Fixed assets		353.619	825.111
Inventories		9.201.841	8.796.160
Trade receivables		6.388.765	6.042.723
Receivables from group enterprises		25.983.507	23.995.064
Deferred tax asset	7	1.174.638	1.030.723
Corporation tax		0	200.445
Prepayments		0	123.321
Receivables		33.546.910	31.392.276
Currents assets		42.748.751	40.188.436
Assets		43.102.370	41.013.547

Balance Sheet 31 December

Liabilities and equity

	<u>Note</u>	<u>2021</u> DKK	<u>2020</u> DKK
Share capital		500.000	500.000
Retained earnings		<u>25.207.568</u>	<u>24.710.947</u>
Equity		<u>25.707.568</u>	<u>25.210.947</u>
Credit institutions		18.046	0
Trade payables		2.867.039	1.963.201
Corporation tax		860.766	0
Other payables		<u>13.648.951</u>	<u>13.839.399</u>
Short-term debt		<u>17.394.802</u>	<u>15.802.600</u>
Debt		<u>17.394.802</u>	<u>15.802.600</u>
Liabilities and equity		<u>43.102.370</u>	<u>41.013.547</u>
Contingent assets, liabilities and other financial obligations	8		
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Statement of Changes in Equity

	<u>Share capital</u> DKK	<u>Retained earnings</u> DKK	<u>Total</u> DKK
Equity at 1 January 2021	500.000	24.710.947	25.210.947
Net profit/loss for the year	0	496.621	496.621
Equity at 31 December 2021	500.000	25.207.568	25.707.568

Notes to the Financial Statements

	<u>2021</u>	<u>2020</u>
	DKK	DKK
1 Staff expenses		
Wages and salaries	25.284.961	24.973.557
Pensions	1.841.736	1.709.219
Other social security expenses	43.375	108.806
	<u>27.170.072</u>	<u>26.791.582</u>
Average number of employees	<u>20</u>	<u>21</u>
2 Depreciation and impairment of property, plant and equipment		
Depreciation of property, plant and equipment	471.492	479.030
	<u>471.492</u>	<u>479.030</u>
Which is specified as follows:		
Other fixtures and fittings, tools and equipment	221.481	229.019
Leasehold improvements	250.011	250.011
	<u>471.492</u>	<u>479.030</u>
3 Financial income		
Exchange adjustments	11.766	11.130
	<u>11.766</u>	<u>11.130</u>
4 Financial expenses		
Other financial expenses	712	50.380
Exchange adjustments, expenses	125.540	-998
	<u>126.252</u>	<u>49.382</u>

Notes to the Financial Statements

	<u>2021</u> DKK	<u>2020</u> DKK	
5 Tax on profit/loss for the year			
Current tax for the year	590.732	945.555	
Deferred tax for the year	-143.915	226.341	
Adjustment of tax concerning previous years	0	3	
	<u>446.817</u>	<u>1.171.899</u>	
 6 Property, plant and equipment			
	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	<u>DKK</u>	<u>DKK</u>	<u>DKK</u>
Cost at 1 January 2021	<u>1.580.171</u>	<u>1.250.053</u>	<u>2.830.224</u>
Cost at 31 December 2021	<u>1.580.171</u>	<u>1.250.053</u>	<u>2.830.224</u>
Impairment losses and depreciation at 1 January 2021	1.192.579	812.534	2.005.113
Depreciation for the year	<u>221.481</u>	<u>250.011</u>	<u>471.492</u>
Impairment losses and depreciation at 31 December 2021	<u>1.414.060</u>	<u>1.062.545</u>	<u>2.476.605</u>
Carrying amount at 31 December 2021	<u>166.111</u>	<u>187.508</u>	<u>353.619</u>
	<u>2021</u> DKK	<u>2020</u> DKK	
7 Deferred tax asset			
Deferred tax asset at 1 January	1.030.723	1.257.064	
Amounts recognised in the income statement for the year	<u>143.915</u>	<u>-226.341</u>	
Deferred tax asset at 31 December	<u>1.174.638</u>	<u>1.030.723</u>	

Notes to the Financial Statements

	<u>2021</u> DKK	<u>2020</u> DKK
8 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	899.875	1.374.018
Between 1 and 5 years	<u>2.516.193</u>	<u>3.910.593</u>
	<u>3.416.068</u>	<u>5.284.611</u>

Other contingent liabilities

According to the Company's accounting policies, in some cases, the customer has the right of return until final resale and delivery to third parties. The amount cannot be determined precisely but is estimated to be small.

The Company has a bank guarantee with Deutsche Bank of tDKK 656 regarding the rent obligation.

9 Related parties

Consolidated Financial Statements

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

<u>Name</u>	<u>Place of registered office</u>
Merck B.V.	1119 NW Schiphol-Rijk, Holland

Notes to the Financial Statements

10 Accounting Policies

The Annual Report of Merck A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2021 are presented in DKK.

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.

Notes to the Financial Statements

10 Accounting Policies (continued)

Income Statement

Revenue

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

In some cases, the customer has the right of return until final resale and delivery to third party. In accordance with the accounting principle, Merck A/S also recognises this revenue at the time of the physical delivery, to the customer insofar as the part of the delivery which is not returned after the balance sheet date, can be reliably measured.

Revenue is measured at the consideration received and 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 expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, expenses for raw materials and consumables and other external expenses.

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.

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

10 Accounting Policies (continued)

Tax on profit/loss for the year

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

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, tools and equipment	5	years
Leasehold improvements	5	years

Depreciation period and residual value are reassessed annually.

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, the asset is written down to its lower recoverable amount.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

Notes to the Financial Statements

10 Accounting Policies (continued)

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning subscriptions and other prepaid expenses.

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Financial debts

Financial liabilities which include, trade payables and amounts owed to group entities, are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.