

---

# ***Merck A/S***

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

## **Annual Report for 1 January - 31 December 2020**

---

CVR No 32 93 22 74

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
4 /6 2021

Enrique Manuel Álvarez  
Fernández  
Chairman of the General  
Meeting

# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report	2
<b>Company Information</b>	
Company Information	5
Management's Review	6
<b>Financial Statements</b>	
Income Statement 1 January - 31 December	7
Balance Sheet 31 December	8
Statement of Changes in Equity	10
Notes to the Financial Statements	11

# 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 2020.

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 2020 of the Company and of the results of the Company operations for 2020.

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, 1 June 2021

## 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 2020, 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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 influ-

# Independent Auditor's Report

ence 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.
- 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.

## **Independent Auditor's Report**

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.

Copenhagen, 1 June 2021

**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

Telephone: + 45 35 25 35 50  
E-mail: [kontakt@merckgroup.com](mailto:kontakt@merckgroup.com)  
Website: [www.merck.dk](http://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 2020 shows a profit of TDKK 3,620, and at 31 December 2020 the balance sheet of the Company shows equity of TDKK 25,211.

The expectations for 2020 were met.

## **Unusual events**

The Board of Directors of Merck A/S has estimated that an outbreak at the beginning of 2020 and the impact of the rapidly expanding Covid-19 pandemic on the company's market environment, employees and business. The pandemic has so far not been significant impact on the demand for the company's products. The company's Board of Directors and management closely monitor coronavirus situation and update their assessment of the impact of the pandemic as the situation progresses.

## **Subsequent events**

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



## Income Statement 1 January - 31 December

	Note	2020 TDKK	2019 TDKK
<b>Gross profit/loss</b>		<b>32.100</b>	<b>24.248</b>
Staff expenses	1	-26.791	-19.888
Depreciation and impairment of property, plant and equipment	2	-479	-489
<b>Profit/loss before financial income and expenses</b>		<b>4.830</b>	<b>3.871</b>
Financial income	3	12	20
Financial expenses	4	-50	-466
<b>Profit/loss before tax</b>		<b>4.792</b>	<b>3.425</b>
Tax on profit/loss for the year	5	-1.172	-1.413
<b>Net profit/loss for the year</b>		<b>3.620</b>	<b>2.012</b>

## Distribution of profit

### Proposed distribution of profit

Extraordinary dividend paid	0	8.254
Retained earnings	3.620	-6.242
	<b>3.620</b>	<b>2.012</b>

## Balance Sheet 31 December

### Assets

	Note	2020 TDKK	2019 TDKK
Other fixtures and fittings, tools and equipment		388	617
Leasehold improvements		437	687
<b>Property, plant and equipment</b>	6	<b>825</b>	<b>1.304</b>
<b>Fixed assets</b>		<b>825</b>	<b>1.304</b>
<b>Inventories</b>		<b>8.796</b>	<b>5.060</b>
Trade receivables		6.042	3.848
Receivables from group enterprises		23.995	21.968
Other receivables		0	148
Deferred tax asset	7	1.031	1.257
Corporation tax		200	0
Prepayments		123	0
<b>Receivables</b>		<b>31.391</b>	<b>27.221</b>
<b>Currents assets</b>		<b>40.187</b>	<b>32.281</b>
<b>Assets</b>		<b>41.012</b>	<b>33.585</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2020 TDKK	2019 TDKK
Share capital	8	500	500
Retained earnings		24.711	21.091
<b>Equity</b>		<b>25.211</b>	<b>21.591</b>
Other payables		0	738
<b>Long-term debt</b>	9	<b>0</b>	<b>738</b>
Trade payables		1.963	1.393
Corporation tax		0	809
Other payables	9	13.838	9.054
<b>Short-term debt</b>		<b>15.801</b>	<b>11.256</b>
<b>Debt</b>		<b>15.801</b>	<b>11.994</b>
<b>Liabilities and equity</b>		<b>41.012</b>	<b>33.585</b>
Contingent assets, liabilities and other financial obligations	10		
Related parties	11		
Accounting Policies	12		

## Statement of Changes in Equity

	<u>Share capital</u> TDKK	<u>Retained earnings</u> TDKK	<u>Total</u> TDKK
Equity at 1 January 2020	500	21.091	21.591
Net profit/loss for the year	0	3.620	3.620
<b>Equity at 31 December 2020</b>	<b>500</b>	<b>24.711</b>	<b>25.211</b>

## Notes to the Financial Statements

	2020	2019
	TDKK	TDKK
<b>1 Staff expenses</b>		
Wages and salaries	24.973	18.346
Pensions	1.709	1.459
Other social security expenses	109	83
	<u>26.791</u>	<u>19.888</u>
<b>Average number of employees</b>	<u>21</u>	<u>19</u>
<b>2 Depreciation and impairment of property, plant and equipment</b>		
Depreciation of property, plant and equipment	479	489
	<u>479</u>	<u>489</u>
Which is specified as follows:		
Other fixtures and fittings, tools and equipment	229	239
Leasehold improvements	250	250
	<u>479</u>	<u>489</u>
<b>3 Financial income</b>		
Exchange adjustments	12	20
	<u>12</u>	<u>20</u>
<b>4 Financial expenses</b>		
Other financial expenses	50	438
Exchange adjustments, expenses	0	28
	<u>50</u>	<u>466</u>

## Notes to the Financial Statements

	2020 <u>TDKK</u>	2019 <u>TDKK</u>	
<b>5 Tax on profit/loss for the year</b>			
Current tax for the year	946	1.635	
Deferred tax for the year	226	-256	
Adjustment of tax concerning previous years	0	34	
	<u><b>1.172</b></u>	<u><b>1.413</b></u>	
 <b>6 Property, plant and equipment</b>			
	Other fixtures and fittings, tools and equipment <u>TDKK</u>	Leasehold improvements <u>TDKK</u>	<u>Total TDKK</u>
Cost at 1 January 2020	1.581	1.250	2.831
Cost at 31 December 2020	1.581	1.250	2.831
Impairment losses and depreciation at 1 January 2020	964	563	1.527
Depreciation for the year	229	250	479
Impairment losses and depreciation at 31 December 2020	1.193	813	2.006
<b>Carrying amount at 31 December 2020</b>	<u><b>388</b></u>	<u><b>437</b></u>	<u><b>825</b></u>
 <b>7 Deferred tax asset</b>			
Deferred tax asset at 1 January	1.257	1.001	
Amounts recognised in the income statement for the year	-226	256	
<b>Deferred tax asset at 31 December</b>	<u><b>1.031</b></u>	<u><b>1.257</b></u>	

# Notes to the Financial Statements

## 8 Equity

The share capital consists of 1 share of a nominal value of TDKK 500. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

## 9 Long-term debt

	<u>2020</u> TDKK	<u>2019</u> TDKK
Debt falling due after 5 years	<u>0</u>	<u>0</u>
	<u><b>0</b></u>	<u><b>0</b></u>

## 10 Contingent assets, liabilities and other financial obligations

### Rental and lease obligations

Lease obligation due within 4 years	5.285	6.425
-------------------------------------	-------	-------

### 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.

The Company is committed to contribute to several studies.

## 11 Related parties

### Consolidated Financial Statements

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

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

# Notes to the Financial Statements

## 12 Accounting Policies

The Annual Report of Merck A/S for 2020 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 2020 are presented in TDKK.

### 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

## 12 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

## 12 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

## 12 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.