
Intervet Danmark A/S

Havneholmen 25, DK-1561 København V

Annual Report for 1 January - 31 December 2015

CVR No 46 29 08 28

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

Niels Walther-Rasmussen
Chairman



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Intervet Danmark A/S 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

Jan Möhlenbrock
CEO

Board of Directors

Allen Harberg Jr.
Chairman

Torben Dahl

Jan Möhlenbrock

Independent Auditor's Report on the Financial Statements

To the Shareholder of Intervet Danmark A/S

Report on the Financial Statements

We have audited the Financial Statements of Intervet Danmark A/S 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

Intervet Danmark A/S
Havneholmen 25
DK-1561 København V

Telephone: 44 54 69 00
Website: www.msd-animal-health.dk

CVR No: 46 29 08 28
Financial period: 1 January - 31 December
Municipality of reg. office: København

Board of Directors

Allen Harberg Jr., Chairman
Torben Dahl
Jan Möhlenbrock

Executive Board

Jan Möhlenbrock

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
Key figures					
Profit/loss					
Revenue	228.822	174.420	162.976	154.917	147.799
Operating profit/loss	6.410	8.559	6.481	5.109	400
Net financials	-185	-1.024	-121	-114	-381
Net profit/loss for the year	4.376	1.882	4.663	3.549	-90
Balance sheet					
Balance sheet total	86.646	62.758	51.705	55.143	60.947
Equity	40.101	35.725	33.843	29.180	25.631
Investment in property, plant and equipment	0	0	0	40	0
Number of employees	27	27	28	28	28
Ratios					
Gross margin	13,7%	18,6%	18,8%	18,2%	18,2%
Profit margin	2,8%	4,9%	4,0%	3,3%	0,3%
Return on assets	7,4%	13,6%	12,5%	9,3%	0,7%
Solvency ratio	46,3%	56,9%	65,5%	52,9%	42,1%
Return on equity	11,5%	5,4%	14,8%	12,9%	-0,4%

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

Main activity

The Company's main activity comprises sale of veterinary medicine.

Development in the year

The income statement of the Company for 2015 shows a profit of TDKK 4,376, and at 31 December 2015 the balance sheet of the Company shows equity of TDKK 40,101. The overall result was as expected and Management concludes that the result was satisfying.

The past year and follow-up on development expectations from last year

The new Nordic business unit structure was a great success in 2015, which was supported by the launch of Bravecto and new vaccines in the swine segment.

Looking forward we expect to continue to grow driven by the launch of new products for all species. The positive sales development will also continue to drive our net profit. The ongoing political discussion about the use of antibiotic in the livestock business results in a higher vaccination rate which will continue to drive our vaccine business in the next years. Following the launch of new products and the political discussion to reduce anti-infective use via e.g. higher vaccination for the livestock business will drive positively sales and profit in the next years.

Risk Factors

The most material risks are the continuously increasing competition in the market and the increased Regulatory demands from authorities. Both could affect the coming year's result negatively. Furthermore, we still see signs of reduction in farm incomes and land abandonment, which has and will mean increased pressure on our pricing and earnings.

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	2015 TDKK	2014 TDKK
Revenue		228.822	174.420
Cost of sales		-169.173	-114.845
Other external expenses		-28.288	-27.056
Gross profit/loss		31.361	32.519
Staff expenses	1	-24.943	-23.952
Depreciation and amortisation	2	-8	-8
Profit/loss before financial income and expenses		6.410	8.559
Financial expenses	3	-185	-1.024
Profit/loss before tax		6.225	7.535
Tax on profit/loss for the year	4	-1.849	-5.653
Net profit/loss for the year		4.376	1.882

Distribution of profit

Proposed distribution of profit

Retained earnings	4.376	1.882
	4.376	1.882

Balance Sheet 31 December

Assets

	Note	2015 TDKK	2014 TDKK
Other fixtures and fittings, tools and equipment		14	22
Property, plant and equipment	5	14	22
Fixed assets		14	22
Inventories		57.833	37.239
Trade receivables		23.883	18.010
Receivables from group enterprises		2.491	5.489
Other receivables		283	200
Deferred tax asset	7	350	291
Prepayments		832	699
Receivables		27.839	24.689
Cash at bank and in hand		960	808
Currents assets		86.632	62.736
Assets		86.646	62.758

Balance Sheet 31 December

Liabilities and equity

	Note	2015 TDKK	2014 TDKK
Share capital		20.551	20.551
Retained earnings		19.550	15.174
Equity	6	40.101	35.725
Trade payables		2.650	1.782
Payables to group enterprises		22.634	7.169
Corporation tax		1.714	2.344
Other payables		19.547	15.738
Short-term debt		46.545	27.033
Debt		46.545	27.033
Liabilities and equity		86.646	62.758
Contingent assets, liabilities and other financial obligations	8		
Related parties	9		

Statement of Changes in Equity

	Share capital TDKK	Retained earnings TDKK	Total TDKK
Equity at 1 January	20.551	15.174	35.725
Net profit/loss for the year	0	4.376	4.376
Equity at 31 December	20.551	19.550	40.101

Notes to the Financial Statements

	2015 TDKK	2014 TDKK
1 Staff expenses		
Wages and salaries	22.092	21.329
Pensions	2.640	2.383
Other social security expenses	211	240
	24.943	23.952
Average number of employees	27	27
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
2 Depreciation and amortisation		
Depreciation of property, plant and equipment	8	8
	8	8
3 Financial expenses		
Interest paid to group enterprises	31	16
Other financial expenses	131	1.005
Exchange loss	23	3
	185	1.024
4 Tax on profit/loss for the year		
Current tax for the year	1.714	2.344
Deferred tax for the year	-60	-97
Adjustment of tax concerning previous years	195	3.406
	1.849	5.653

Notes to the Financial Statements

5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment TDKK
Cost at 1 January	44
Cost at 31 December	44
Impairment losses and depreciation at 1 January	22
Depreciation for the year	8
Impairment losses and depreciation at 31 December	30
Carrying amount at 31 December	14

6 Equity

The share capital consists of 1 share of a nominal value of TDKK 20,551. No shares carry any special rights.

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

7 Provision for deferred tax

	2015 TDKK	2014 TDKK
Property, plant and equipment	-5	-7
Inventories	-191	-284
Other accruals	-154	0
Transferred to deferred tax asset	350	291
	0	0
Deferred tax asset		
Calculated tax asset	350	291
Carrying amount	350	291

Notes to the Financial Statements

8 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The Company has been joined as a co-party in a pending lawsuit between a breeder and a veterinarian. The Company's management considers it unlikely that the Company may be held liable for the raised indemnity claim.

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

Rental and Lease commitments comprise rent of lease vehicles and amounts to DKK'000 2.269 (2014: DKK'000 2.543)

Notes to the Financial Statements

9 Related parties

	Basis
Controlling interest	
Intervet Holding B.V. Wim de Korverstraat 35 Boxmeer, 5831 Netherlands	Controlling shareholder
Merck & Co., Inc. One Merck Drive Whitehouse Station NJ 08889-0100 USA	Ultimate parent company
Other related parties	
Allen Harberg Jr.	Supervisory Board
Torben Dahl	Supervisory Board
Jan Möhlenbrock	Supervisory Board and executive Board

Consolidated Financial Statements

The Company is included in the ultimate parent company Annual Report of Merck & Co., Inc.

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

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

Accounting Policies

Basis of Preparation

The Annual Report of Intervet Danmark A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2015 are presented in DKK'000.

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. 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.

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.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Accounting Policies

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.

Cost of sales

Cost of sales 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 other than production wages.

Amortisation and depreciation

Amortisation and depreciation comprise amortisation and depreciation 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.

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 companies Danish Group. 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.

Accounting Policies

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

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 etc.	3-10 years
Leasehold improvements	5-10 years

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

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, raw materials and consumables equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Prepayments

Prepayments comprise prepaid expenses concerning insurance premiums and subscriptions.

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.

Accounting Policies

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.

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.

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