

# **Merck Life Science A/S**

**Strandvejen 102 E**

**CVR no. 73 13 15 10**

## **Annual report 2015**

The annual report was presented and  
adopted at the annual general meeting of  
the Company on 31 May 2016



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Chairman

## Contents

	<b>Page</b>
Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
<b>Management's review</b>	
Company details	5
Management's review	6
<b>Financial Statements</b>	
Accounting policies	7
Income statement	10
Balance sheet	11
Notes to the annual report	13

## Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Merck Life Science A/S for the financial year 1 January - 31 December 2015.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the result of the Company's operations for the year 1 January - 31 December 2015.

In our opinion, the Management's review includes a fair review of the development in the Company's operations and financial conditions, the result for the year and the financial position.

We recommend that the annual report will be approved at the annual general meeting.


Copenhagen, 31 May 2016


### Executive Board

  
Hans Christopher Elers Koch

### Board of Directors

  
Tiina Marjatta Puhakka

  
Hans Christopher Elers Koch

  
Jeanette Sandholmen



## **Independent auditor's report**

**To the Shareholder of Merck Life Science A/S**

### **Independent auditor's report on the financial statements**

We have audited the financial statements of Merck Life Science A/S for the financial year 1 January - 31 December 2015. The financial statements comprise accounting policies, income statement, balance sheet and notes. 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 that 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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 opinion.

Our audit has not resulted in any qualification.

#### **Opinion**

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



## **Independent auditor's report**

### **Report on other legal and regulatory requirements**

#### **Emphasis of matter regarding other matters**

Without modifying our opinion, we draw attention to the fact that the Company does not comply with the requirements of the Danish Bookkeeping Act on preservation of accounting records.


#### **Statement on the Management's review**

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 31 May 2016

**KPMG**

Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98



Casper Garrelts  
State Authorised  
Public Accountant

## Management's review

### Company details

<b>Company</b>	Merck Life Science A/S Strandvejen 102 E DK-2900 Hellerup
	Telephone: +45 70 10 56 45 Website: <a href="http://www.merckgroup.com">www.merckgroup.com</a>
	CVR no.: 73 13 15 10 Financial year: 1 January - 31 December Incorporated: 31 December 1982 Registered office: Copenhagen

<b>Board of Directors</b>	Tiina Marjatta Puhakka Hans Christopher Elers Koch Jeanette Sandholmen
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<b>Executive Board</b>	Hans Christopher Elers Koch
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<b>Auditor</b>	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28 2100 Copenhagen Ø Denmark
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<b>General meeting</b>	The annual general meeting is held on 31 May 2016 at the Company's address.
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## Management's review

### Principal activities of the Company

Merck Life Science is divided into the following business units:

- The products and services portfolio of the Bioscience business units consist of protein research assays and reagents, cell culture solutions and drug discovery services for biopharmaceutical companies.
- The Lab Solutions business unit offers a comprehensive range of products (including chemicals, water purification products and bio-monitoring tools) used in research, quality, analytical and clinical laboratories.
- The Process Solutions business unit offers a variety of products and services used in biotech, pharmaceutical and food and beverage production.

The Company is part of the Merck group. The ultimate parent is E. Merck KG., a German partnership company. E. Merck KG holds approximately 70% of the entire capital of Merck KGaA ("Merck ") whose principal place of business is in Darmstadt (Germany) and has a shareholders' equity at 31 December 2015 of EUR 12,855 million and a share capital of EUR 565 million. The remaining approximately 30% of the capital of Merck is split into publicly-traded shares.

Merck Life Science A/S is part of the Merck group being a wholly-owned subsidiary of Merck Chemicals B.V., based in Amsterdam (Netherlands).

### Profit/loss for the year

As part of the reorganization of the Life Science business of Merck in Europe, the Danish Life Science customers of Merck KGaA have been transferred to the Company for a value of DKK 15.6 million. This business transfer was effective at the beginning of 2015 and will be beneficial for the future business development of the Company.

The Company's results and financial development are considered satisfactory.

### Outlook

The Company expects revenue and results in 2016 at the 2015 level.

### Events after the balance sheet date

No events materially affecting the assessment of the annual report have occurred after the balance sheet date.

## **Financial statements 1 January - 31 December**

### **Accounting policies**

The annual report of Merck Life Science A/S for 2015 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

### **Income statement**

#### **Gross profit**

Pursuant to section 32 of the Danish Financial Statements Act the Company's revenue is not stated.

Gross profit comprise revenue, cost of sales and other external costs.

#### **Revenue**

Income from the sale of goods for resale is recognised in the income statement when delivery and transfer of risk to the buyer have taken place, and the income may be reliably measured and is expected to be received. Revenue is measured excluding VAT and taxes charged on behalf of third parties.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are deducted from revenue.

#### **Cost of sales**

Cost of sales comprises costs of goods sold associated to the invoiced revenue.

#### **Other external expenses**

Other external expenses comprise expenses incurred for travelling, administration and other external expenses.

#### **Staff expenses**

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

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

Financial income and Financial expenses comprise interest income and expense, gains and losses on payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme. etc.

## **Financial statements 1 January - 31 December**

### **Accounting policies**

#### **Tax on profit for the year**

Tax for the year comprises current tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity. Tax relating to profit/loss from extraordinary activities is recognised as such in the income statement. The rest is recognised as profit/loss from ordinary activities. Entities with tax losses receive joint taxation contributions from entities that have been able to use tax losses to reduce their own taxable profits.

#### **Balance sheet**

##### **Intangible assets**

Customer bases are measured at the lower of cost less accumulated amortisation and recoverable amount. Customer bases are amortised on a straight-line basis over the estimated useful life, which is 10 years.

Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

##### **Inventories**

Inventories are measured at cost in accordance with the FIFO method. Inventories are written down to the lower of net realisable value and cost.

Goods for resale and consumables are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

##### **Receivables**

Receivables are measured at amortised cost. Provision is made for anticipated losses at net realisable value.

##### **Equity - dividends**

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

## **Financial statements 1 January - 31 December**

### **Accounting policies**

#### **Corporation tax and deferred tax**

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement and in equity, respectively.

#### **Liabilities other than provisions**

Financial liabilities are measured at amortised cost. Other liabilities are measured at net realisable value.

#### **Foreign currency translation**

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

## Financial statements 1 January - 31 December

### Income statement

	<u>Note</u>	<u>2015</u> DKK'000	<u>2014</u> DKK'000
<b>Gross profit</b>		<b>14,263</b>	<b>10,213</b>
Staff costs	1	-8,306	-6,902
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		<u>-1,564</u>	<u>0</u>
<b>Profit before financial income and expenses</b>		<b>4,393</b>	<b>3,311</b>
Financial income		36	0
Financial expenses	2	<u>-473</u>	<u>-21</u>
<b>Profit before tax</b>		<b>3,956</b>	<b>3,290</b>
Tax on profit for the year	3	<u>-643</u>	<u>-1,179</u>
<b>Profit</b>		<b><u>3,313</u></b>	<b><u>2,111</u></b>
Retained earnings		<u>3,313</u>	<u>2,111</u>
		<b><u>3,313</u></b>	<b><u>2,111</u></b>

## Financial statements 1 January - 31 December

### Balance sheet

	<u>Note</u>	<u>2015</u> DKK'000	<u>2014</u> DKK'000
<b>Assets</b>			
Customer base		14,074	0
<b>Intangible assets</b>		<b>14,074</b>	<b>0</b>
<b>Non-current assets</b>		<b>14,074</b>	<b>0</b>
Goods for resale and consumables		4,877	1,702
<b>Inventories</b>		<b>4,877</b>	<b>1,702</b>
Trade receivables		40,032	25,693
Receivables from group entities		0	10
Deferred tax asset	5	177	19
Prepayments		65	21
<b>Receivables</b>		<b>40,274</b>	<b>25,743</b>
<b>Cash at bank and in hand</b>		<b>14</b>	<b>0</b>
<b>Total current assets</b>		<b>45,165</b>	<b>27,445</b>
<b>Total assets</b>		<b>59,239</b>	<b>27,445</b>

## Financial statements 1 January - 31 December

### Balance sheet

	<u>Note</u>	<u>2015</u> DKK'000	<u>2014</u> DKK'000
<b>Equity and liabilities</b>			
Share capital		2,000	2,000
Retained earnings		<u>17,771</u>	<u>14,458</u>
<b>Total equity</b>	4	<b><u>19,771</u></b>	<b><u>16,458</u></b>
Incentive programs		<u>97</u>	<u>108</u>
<b>Long-term debt</b>		<b><u>97</u></b>	<b><u>108</u></b>
Prepayments received from customers		2,793	515
Trade payables		275	0
Payables to group entities		26,832	3,843
Corporation tax		416	564
Other payables		<u>9,055</u>	<u>5,957</u>
<b>Short-term debt</b>		<b><u>39,371</u></b>	<b><u>10,879</u></b>
<b>Total debt</b>		<b><u>39,468</u></b>	<b><u>10,987</u></b>
<b>Total equity and liabilities</b>		<b><u><u>59,239</u></u></b>	<b><u><u>27,445</u></u></b>
Contingent liabilities and other financial obligations	6		
Related parties and ownership	7		

## Financial statements 1 January - 31 December

### Notes

	<u>2015</u> DKK'000	<u>2014</u> DKK'000
<b>1 Staff costs</b>		
Wages and salaries	7,520	6,343
Pensions	767	535
Other social security costs	19	24
	<u><b>8,306</b></u>	<u><b>6,902</b></u>
Average number of employees	<u>9</u>	<u>7</u>
<b>2 Financial expenses</b>		
Interest paid to group entities	448	0
Interest expense	25	21
	<u><b>473</b></u>	<u><b>21</b></u>
<b>3 Tax on profit for the year</b>		
Current tax for the year	1,106	988
Deferred tax for the year	-158	-7
Adjustment of tax concerning previous years	-305	198
	<u><b>643</b></u>	<u><b>1,179</b></u>

## Financial statements 1 January - 31 December

### Notes

#### 4 Equity

	Share capital	Retained earnings	Total
	DKK'000	DKK'000	DKK'000
Equity at 1 January 2015	2,000	14,458	16,458
Net profit for the year	0	3,313	3,313
<b>Equity at 31 December 2015</b>	<b>2,000</b>	<b>17,771</b>	<b>19,771</b>

The share capital consists of two shares of a nominal value of DKK 1,000,000. No shares carry any special rights.

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

## Financial statements 1 January - 31 December

### Notes

	2015	2014
	DKK'000	DKK'000
<b>5 Deferred tax asset</b>		
Deferred tax 1 January	19	12
Adjustment of deferred tax	158	7
<b>Deferred tax 31 December</b>	<b>177</b>	<b>19</b>

### 6 Contingent liabilities and other financial obligations

#### Operating leases

The Company has entered into leases on cars. The remaining term of the leases is 7-36 months with total remaining lease payment amounting to DKK 1,249 thousand (2014: DKK 991 thousand).

### 7 Related parties and ownership

Merck Life Science A/S' related parties comprise the following:

#### Controlling interest

The Company is a part of the Merck group. The ultimate parent is E. Merck KG., a German partnership company. E. Merck KG holds approximately 70% of the entire capital of Merck KGaA ("Merck"), whose principal place of business is in Darmstadt (Germany). The remaining approximately 30% of the capital of Merck is split into publicly-traded shares.

#### Ownership

The following shareholders are recorded in the Company's register of shareholders as holding a minimum of 5% of the votes or a minimum, of 5% of the share capital:

Merck Chemicals B.V., Netherlands