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# ***Merck Life Science A/S***

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

## **Annual Report for 1 January - 31 December 2018**

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CVR No 73 13 15 10

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
11/4 2019

Chairman



Susanne Krogh

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

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Merck Life Science A/S for the financial year 1 January - 31 December 2018.

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 2018 of the Company and of the results of the Company operations for 2018.

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,

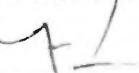
11.4 2019

### Executive Board

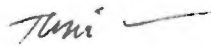


Tiina Marjatta Puhakka

### Board of Directors



Jeanette Sandholmen  
Chairman



Tiina Marjatta Puhakka



Renée Christine Tunold

# Independent Auditor's Report

To the Shareholder of Merck Life Science A/S

## Opinion

We have audited the Financial Statements of Merck Life Science A/S for the financial year 1 January - 31 December 2018, 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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 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 requirements. 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.

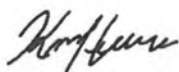
Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Copenhagen, 11 April 2019

**KPMG**

Statsautoriseret Revisionspartnerselskab

*CVR No 25 57 81 98*



Kenn Wolff Hansen

State Authorised Public Accountant

mne30154

## Company Information

### **The Company**

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

Telephone: + 45 70 10 56 45  
Website: [www.merckgroup.com](http://www.merckgroup.com)

CVR No: 73 13 15 10  
Financial period: 1 January - 31 December  
Incorporated: 31 December 1982  
Municipality of reg. office: Gladsaxe

### **Board of Directors**

Jeanette Sandholmen, Chairman  
Tiina Marjatta Puhakka  
Renée Christine Tunold

### **Executive Board**

Tiina Marjatta Puhakka

### **Auditors**

KPMG  
Statsautoriseret Revisionspartnerselskab  
Dampfærgevej 28  
DK-2100 København Ø

## Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2018	2017	2016	2015	2014
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Operating profit/loss	6.294	15.215	9.760	4.393	3.311
Net financials	-143	-717	-249	-437	-21
Net profit/loss for the year	4.791	10.743	7.936	3.313	2.111
<b>Balance sheet</b>					
Balance sheet total	60.750	67.147	40.901	59.239	27.445
Equity	43.241	38.450	27.707	19.771	16.458
Number of employees	9	9	9	9	7
<b>Ratios</b>					
Return on assets	10,4%	22,7%	23,9%	7,4%	12,1%
Solvency ratio	71,2%	57,3%	67,7%	33,4%	60,0%
Return on equity	11,7%	32,5%	33,4%	18,3%	25,7%

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

## Key activities

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 2018 of EUR 17,233 million and a share capital of EUR 565 million. The remaining approximately 30% of the capital of Merck is split into publicly-traded shares.

## Development in the year

The income statement of the Company for 2018 shows a profit of TDKK 4,791, and at 31 December 2018 the balance sheet of the Company shows equity of TDKK 43,241.

## Special risks - operating risks and financial risks

### *Operating risks*

The company's most significant operating risk is linked to the ability to be highly positioned in the most important markets. In addition, it is important for the company to always be at the forefront of new products. This is done through significant development activities in other Group companies.

### *Foreign exchange risks*

The company invoices in DKK. Purchase of goods are made in DKK, USD, EUR, GBP and SEK.

### *Interest rate risks*

Due to its financial preparedness, the company is only limited exposed to changes in interest rates.

## **Management's Review**

### ***Credit risks***

The company does not have significant risks regarding individual customers or collaborators. The company's policy for credit risk entails that all major customers and other collaborators are continuously credit rated.

### **Research and development**

The company does not have its own development activities, as product development is carried out by group companies located abroad.

### **External environment**

The company is a trading company without its own production or processing. The company's activities therefore have no significant impact on the environment.

### **Intellectual capital resources**

It is essential for the company's continued growth to attract sellers specializing in chemistry and biology. It is furthermore important that the company's employees have updated knowledge about the company's products, etc. This is obtained through continuous education, which is regularly held by the Group.

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

There are not any specific uncertainty relating to recognition and measurements.

## Income Statement 1 January - 31 December

	Note	2018 TDKK	2017 TDKK
<b>Gross profit/loss</b>		<b>16.137</b>	<b>25.589</b>
Staff expenses	2	-8.279	-8.811
Amortisation and impairment of intangible assets		-1.564	-1.563
<b>Profit/loss before financial income and expenses</b>		<b>6.294</b>	<b>15.215</b>
Financial income	3	10	4
Financial expenses	4	-153	-721
<b>Profit/loss before tax</b>		<b>6.151</b>	<b>14.498</b>
Tax on profit/loss for the year	5	-1.360	-3.755
<b>Net profit/loss for the year</b>		<b>4.791</b>	<b>10.743</b>

## Balance Sheet 31 December

### Assets

	Note	2018 TDKK	2017 TDKK
Customer base		9.383	10.947
<b>Intangible assets</b>	6	<b>9.383</b>	<b>10.947</b>
<b>Fixed assets</b>		<b>9.383</b>	<b>10.947</b>
Finished goods and goods for resale		3.721	4.054
<b>Inventories</b>		<b>3.721</b>	<b>4.054</b>
Trade receivables		39.682	48.135
Receivables from group enterprises		6.493	3.590
Deferred tax asset	7	51	0
Prepayments	8	1.420	421
<b>Receivables</b>		<b>47.646</b>	<b>52.146</b>
<b>Currents assets</b>		<b>51.367</b>	<b>56.200</b>
<b>Assets</b>		<b>60.750</b>	<b>67.147</b>

## Balance Sheet 31 December

### Liabilities and equity

	Note	2018 TDKK	2017 TDKK
Share capital		2.000	2.000
Retained earnings		41.241	36.450
<b>Equity</b>	<b>9</b>	<b>43.241</b>	<b>38.450</b>
Provision for deferred tax	7	0	420
<b>Provisions</b>		<b>0</b>	<b>420</b>
Incentive programs		65	26
<b>Long-term debt</b>	<b>10</b>	<b>65</b>	<b>26</b>
Prepayments received from customers		505	545
Trade payables		180	177
Payables to group enterprises		1.882	17.855
Corporation tax		206	1.397
Other payables	10	14.671	8.277
<b>Short-term debt</b>		<b>17.444</b>	<b>28.251</b>
<b>Debt</b>		<b>17.509</b>	<b>28.277</b>
<b>Liabilities and equity</b>		<b>60.750</b>	<b>67.147</b>
Subsequent events	1		
Distribution of profit	11		
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## Statement of Changes in Equity

	<u>Share capital</u>	<u>Retained</u> <u>earnings</u>	<u>Total</u>
	TDKK	TDKK	TDKK
Equity at 1 January 2018	2.000	36.450	38.450
Net profit/loss for the year	0	4.791	4.791
<b>Equity at 31 December 2018</b>	<b>2.000</b>	<b>41.241</b>	<b>43.241</b>

## Notes to the Financial Statements

### 1 Subsequent events

Merck Group will start the legal Life Science business integration in Denmark in 2019. The target is to go alive 1st of July 2019.

Merck Life Science A/S company will merge to the Sigma-Aldrich A/S company, with Sigma-Aldrich A/S as the continuing company.

Apart from the above no other events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

	<u>2018</u> TDKK	<u>2017</u> TDKK
<b>2 Staff expenses</b>		
Wages and salaries	7.288	7.937
Pensions	<u>991</u>	<u>874</u>
	<b><u>8.279</u></b>	<b><u>8.811</u></b>
<b>Average number of employees</b>	<u>9</u>	<u>9</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

### 3 Financial income

Exchange gains	<u>10</u>	<u>4</u>
	<b><u>10</u></b>	<b><u>4</u></b>

### 4 Financial expenses

Interest paid to group enterprises	112	720
Other financial expenses	34	0
Exchange loss	<u>7</u>	<u>1</u>
	<b><u>153</u></b>	<b><u>721</u></b>

## Notes to the Financial Statements

	2018	2017
	TDKK	TDKK
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	1.831	3.061
Deferred tax for the year	-471	146
Adjustment of deferred tax concerning previous years	0	548
	<u>1.360</u>	<u>3.755</u>

### 6 Intangible assets

	Customer base
	TDKK
Cost at 1 January 2018	<u>15.638</u>
Cost at 31 December 2018	<u>15.638</u>
Impairment losses and amortisation at 1 January 2018	4.691
Amortisation for the year	<u>1.564</u>
Impairment losses and amortisation at 31 December 2018	<u>6.255</u>
<b>Carrying amount at 31 December 2018</b>	<u><b>9.383</b></u>

### 7 Deferred tax asset

Deferred tax asset at 1 January 2018	-420	274
Amounts recognised in the income statement for the year	471	-146
Adjustment of deferred tax concerning prior years	0	-548
<b>Deferred tax asset at 31 December 2018</b>	<u><b>51</b></u>	<u><b>-420</b></u>

### 8 Prepayments

Prepayments consist of prepaid expenses concerning subsequent financial years.

## Notes to the Financial Statements

### 9 Equity

The share capital consists of 2 shares of a nominal value of TDKK 1,000. No shares carry any special rights.

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

### 10 Long-term debt

The incentive programs are expected to expire to fall due within 3 years.

	<u>2018</u> TDKK	<u>2017</u> TDKK
<b>11 Distribution of profit</b>		
Retained earnings	4.791	10.743
	<u>4.791</u>	<u>10.743</u>

### 12 Contingent assets, liabilities and other financial obligations

#### Rental and lease obligations

The company has entered into leases on cars. The remaining term of the leases is 1-29 months with total remaining lease payments of

784	1.214
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#### Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc. of the Danish group companies. 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.

# Notes to the Financial Statements

## 13 Related parties

### Basis

#### Controlling interest

Sigma-Aldrich Chemie N.V., Holland	Parent Company
E. Merck KG, Germany	Ultimate Parent Company

#### Transactions

During the year, the Company had the following transactions with its related parties:

Sale of goods to related parties TDKK 7,984, (TDKK 314 in 2017)

Purchase of goods from related parties TDKK 329,008 (TDKK 336,426 in 2017)

All Intercompany balances as of 31st of December 2018 are disclosed in Balance Sheet.

#### Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Sigma-Aldrich Chemie N.V., Stationsplein 4 E, 3331 LL Zwijndrecht, Holland

#### Consolidated Financial Statements

The Company is included in the Group Annual Report of

<u>Name</u>	<u>Place of registered office</u>
Merck KGaA	Germany

The Group Annual Report of Merck KGaA may be obtained at the following address:

Frankfurter Straße 250, 64293 Darmstadt, Germany

# Notes to the Financial Statements

## 14 Accounting Policies

The Annual Report of Merck Life Science A/S for 2018 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.

The Financial Statements for 2018 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 KGaA, 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.

### Translation policies

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.

## Notes to the Financial Statements

### 14 Accounting Policies (continued)

#### Income Statement

##### 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 consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

##### 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.

##### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

##### 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 intangible assets.

##### 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.

## Notes to the Financial Statements

### 14 Accounting Policies (continued)

#### Tax on profit/loss 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.

The Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## 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.

#### Impairment of fixed assets

The carrying amounts of intangible assets 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 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.

## Notes to the Financial Statements

### 14 Accounting Policies (continued)

#### **Prepayments**

Prepayments comprise prepaid expenses concerning subsequent financial years.

#### **Equity**

##### ***Dividend***

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.

#### **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.

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

Financial liabilities are measured at amortised cost.

## Notes to the Financial Statements

### 14 Accounting Policies (continued)

#### Financial Highlights

##### Explanation of financial ratios

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

