



presentation of Adjustments

Investor Relations

April 12, 2019

Reporting of adjustments

Changes in P&L presentation as of January 1, 2019



Background

- IFRS require presentation of expenses according to their respective functions – this includes adjustments
- Up until 2018, the functional allocation of adjustments was provided in the Notes of the Annual Report
- As of January 1, 2019, Merck KGaA, Darmstadt, Germany will report all adjustments directly in the relevant P&L lines*
- Prior-year financials have been adjusted to reflect the new structure



Impacts

- Merck's KGaA, Darmstadt, Germany KPIs are not affected (net sales, EBITDA pre, EPS pre)
- Reconciliation of new and old P&L structure is ensured
- No impact on profit and cash flow
- Further increase in transparency

increased visibility ...

- on functional allocation of adjustments
- of other operating income/expense line
- on underlying drivers of other operating income/expenses

Reporting of adjustments

Changes as of January 1, 2019

so far

P&L structure so far	
	Net sales
-	Production costs
=	Gross profit
-	Marketing & selling costs
-	Admin costs
-	R&D costs
+/-	Other operating income and expenses
=	EBIT

Adjustments

NEW

P&L structure new	
	Net sales
-	Production costs
=	Gross profit
-	Marketing & selling costs
-	Admin costs
-	R&D costs
+/-	Other operating income and expenses
=	EBIT

Adjustments were included fully in other operating income and expense*

Adjustments will be allocated to individual cost lines

Reclassification for FY 2018 Group

€m ¹	As reported	Adjustments ²	Reallocated adjustments ²	New
Net sales	14,836.3			14,836.3
- Cost of sales	-5,381.8			-5,381.8
- Marketing and selling expenses	-4,383.6		-12.9	-4,396.4
- Administration expenses	-993.5		-189.9	-1,183.4
- R&D costs	-2,224.9		-2.4	-2,227.3
- Other operating income and expenses	-126.0	+205.2		79.1
EBIT	1,726.5			1,726.5

Reclassification for Q1-Q4 2018 Group

€m*	Q1	Q2	Q3	Q4	FY 2018
Marketing and selling expenses	-0.4	-1.9	-1.4	-9.2	-12.9
Administration expenses	-57.5	-17.6	-43.5	-71.4	-189.9
R&D costs	-0.1	-0.1	-0.1	-2.2	-2.4
Other operating income and expenses	58.0	19.5	45.0	82.7	+205.2

Reclassification for FY 2018

Healthcare

€m ¹	As reported	Adjustments ²	Reallocated adjustments ²	New
Net sales	6,245.5			6,245.5
- Cost of sales	-1,425.2			-1,425.2
- Marketing and selling expenses	-2,338.7		-10.1	-2,348.7
- Administration expenses	-301.0		-28.4	-329.4
- R&D costs	-1,686.1		-0.9	-1,687.0
- Other operating income and expenses	237.9	+39.3		276.2
EBIT	731.4			731.4

Reclassification for Q1-Q4 2018

Healthcare

€m*	Q1	Q2	Q3	Q4	FY 2018
Marketing and selling expenses	0.4	-0.1	-1.6	-8.8	-10.1
Administration expenses	-3.0	-3.6	-9.1	-12.7	-28.4
R&D costs	0.0	0.0	0.0	-1.0	-0.9
Other operating income and expenses	2.6	3.7	10.6	22.4	+39.3

Reclassification for FY 2018

Life Science

€m ¹	As reported	Adjustments ²	Reallocated adjustments ²	New
Net sales	6,185.2			6,185.2
- Cost of sales	-2,722.6			-2,722.6
- Marketing and selling expenses	-1,774.5		-2.3	-1,776.9
- Administration expenses	-282.2		-52.4	-334.6
- R&D costs	-249.5		-1.5	-251.0
- Other operating income and expenses	-120.8	+56.2		-64.6
EBIT	1,035.6			1,035.6

Reclassification for Q1-Q4 2018

Life Science

€m*	Q1	Q2	Q3	Q4	FY 2018
Marketing and selling expenses	-0.8	-1.6	0.3	-0.2	-2.3
Administration expenses	-8.3	-5.4	-15.6	-23.1	-52.4
R&D costs	-0.1	-0.1	-0.2	-1.1	-1.5
Other operating income and expenses	9.2	7.1	15.5	24.5	+56.2

Reclassification for FY 2018

Performance Materials

€m ¹	As reported	Adjustments ²	Reallocated adjustments ²	New
Net sales	2,405.6			2,405.6
- Cost of sales	-1,230.9			-1,230.9
- Marketing and selling expenses	-254.6		0.1	-254.5
- Administration expenses	-90.1		-16.5	-106.6
- R&D costs	-241.9		0.1	-241.8
- Other operating income and expenses	-80.5	+16.3		-64.2
EBIT	507.5			507.5

Reclassification for Q1-Q4 2018

Performance Materials

€m*	Q1	Q2	Q3	Q4	FY 2018
Marketing and selling expenses	0.0	-0.0	-0.1	0.2	0.1
Administration expenses	-3.2	-4.0	-1.4	-8.0	-16.5
R&D costs	-0.0	0.0	0.1	0.0	0.1
Other operating income and expenses	3.2	4.0	1.3	7.8	+16.3

Reclassification for FY 2018

Corporate and Other

€m ¹	As reported	Adjustments ²	Reallocated adjustments ²	New
Net sales	0.0			0.0
- Cost of sales	-3.2			-3.2
- Marketing and selling expenses	-15.8		-0.6	-16.3
- Administration expenses	-320.1		-92.7	-412.8
- R&D costs	-47.4		-0.1	-47.4
- Other operating income and expenses	-161.6	+93.3		-68.3
EBIT	-548.0			-548.0

Reclassification for Q1-Q4 2018

Corporate and Other

€m*	Q1	Q2	Q3	Q4	FY 2018
Marketing and selling expenses	-0.0	-0.2	0.1	-0.4	-0.6
Administration expenses	-43.0	-4.6	-17.5	-27.6	-92.6
R&D costs	0.0	0.0	-0.0	-0.1	-0.1
Other operating income and expenses	43.0	4.8	17.5	28.0	+93.3

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