

Consolidated Financial Statements

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Consolidated Income Statement

€ million	Note	2016	2015
Net sales	→ 7	15,024	12,845
Cost of sales	→ 8	-5,201	-4,076
<i>(of which: amortization of intangible assets)¹</i>		<i>(-181)</i>	<i>(-167)</i>
Gross profit		9,823	8,768
Marketing and selling expenses	→ 9	-4,526	-4,050
<i>(of which: amortization of intangible assets)¹</i>		<i>(-1,032)</i>	<i>(-779)</i>
Administration expenses		-854	-720
Research and development costs	→ 10	-1,976	-1,709
<i>(of which: amortization of intangible assets)¹</i>		<i>(-4)</i>	<i>(-3)</i>
Other operating income	→ 11	996	471
Other operating expenses	→ 12	-981	-917
Operating result (EBIT)		2,481	1,843
Financial result	→ 13	-326	-357
Profit before income tax		2,154	1,487
Income tax	→ 14	-521	-368
Profit after tax from continuing operations		1,633	1,118
Profit after tax from discontinued operations		-	6
Profit after tax		1,633	1,124
of which: attributable to Merck KGaA shareholders (net income)		1,629	1,115
of which: attributable to non-controlling interests	→ 24	4	9
Earnings per share (in €)	→ 15		
basic		3.75	2.56
- thereof: from continuing operations		3.75	2.55
- thereof: from discontinued operations		-	0.01
diluted		3.75	2.56
- thereof: from continuing operations		3.75	2.55
- thereof: from discontinued operations		-	0.01

¹Excluding amortization of internally generated or separately acquired software.

Consolidated Statement of Comprehensive Income

€ million	Note	2016	2015
Profit after tax		1,633	1,124
Items of other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement of the net defined benefit liability			
Changes in remeasurement	→ 25	- 424	161
Tax effect		79	- 45
Changes recognized in equity		- 344	115
		- 344	115
Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Available-for-sale financial assets			
Fair value adjustments		49	18
Reclassification to profit or loss		- 31	- 11
Tax effect		1	- 2
Changes recognized in equity		19	5
Derivative financial instruments			
Fair value adjustments		- 90	725
Reclassification to profit or loss		65	71
Reclassification to assets		-	- 1,380
Tax effect		10	16
Changes recognized in equity		- 15	- 568
Exchange differences on translating foreign operations			
Changes taken directly to equity		591	972
Reclassification to profit or loss		- 74	-
Changes recognized in equity		517	972
		521	409
Other comprehensive income		177	524
Comprehensive income		1,810	1,648
of which: attributable to Merck KGaA shareholders		1,804	1,636
of which: attributable to non-controlling interests	→ 24	6	12

Consolidated Balance Sheet

€ million	Note	Dec. 31, 2016	Dec. 31, 2015
Non-current assets¹			
Intangible assets ¹	→ 16	24,989	25,422
Property, plant and equipment ¹	→ 17	4,230	4,008
Non-current financial assets ¹	→ 18	218	130
Other non-current assets	→ 19	131	128
Deferred tax assets	→ 14	1,013	1,050
		30,582	30,737
Current assets¹			
Inventories ¹	→ 20	2,607	2,610
Trade accounts receivable	→ 21	2,889	2,738
Current financial assets	→ 18	145	227
Other current assets ¹	→ 19	674	500
Income tax receivables	→ 22	403	391
Cash and cash equivalents	→ 23	939	832
Assets held for sale	→ 4	12	46
		7,670	7,344
Total assets¹		38,251	38,081
Total equity	→ 24		
Equity capital		565	565
Reserves		10,362	9,679
Gains/losses recognized in equity		3,062	2,543
Equity attributable to Merck KGaA shareholders		13,989	12,787
Non-controlling interests		61	68
		14,050	12,855
Non-current liabilities¹			
Provisions for pensions and other post-employment benefits	→ 25	2,313	1,836
Other non-current provisions	→ 26	834	855
Non-current financial liabilities	→ 27	8,809	9,616
Other non-current liabilities	→ 28	439	609
Deferred tax liabilities ¹	→ 14	2,720	2,926
		15,115	15,842
Current liabilities¹			
Current provisions ¹	→ 26	412	536
Current financial liabilities	→ 27	3,788	4,097
Trade accounts payable	→ 29	2,048	1,921
Income tax liabilities	→ 30	883	1,011
Other current liabilities	→ 28	1,947	1,819
Liabilities directly related to assets held for sale	→ 4	8	-
		9,086	9,384
Total equity and liabilities¹		38,251	38,081

¹ Previous year's figures have been adjusted, see "Acquisitions, assets held for sale and disposal groups".

Consolidated Cash Flow Statement

€ million	Note	2016	2015
Profit after tax		1,633	1,124
Depreciation/amortization/impairment losses/reversals of impairments		1,934	1,511
Changes in inventories		23	-90
Changes in trade accounts receivable		-73	-84
Changes in trade accounts payable		76	166
Changes in provisions		-51	215
Changes in other assets and liabilities		-587	-636
Neutralization of gains/losses on disposal of assets		-451	-42
Other non-cash income and expenses		14	32
Net cash flows from operating activities	→ 33	2,518	2,195
thereof: from discontinued operations		-	6
Payments for investments in intangible assets		-132	-179
Payments from the disposal of intangible assets		2	27
Payments for investments in property, plant and equipment		-716	-514
Payments from the disposal of property, plant and equipment		21	9
Payments for investments in financial assets		-344	-1,741
Payments for acquisitions less acquired cash and cash equivalents		-156	-13,482
Payments from the disposal of other financial assets		457	3,858
Payments from divestments less transferred cash and cash equivalents		5	-
Payments from other divestments		-3	-
Payments from divestment of assets held for sale		364	86
Net cash flows from investing activities	→ 34	-503	-11,936
thereof: from discontinued operations		24	84
Dividend payments to Merck KGaA shareholders		-136	-129
Dividend payments to non-controlling interests		-3	-4
Dividend payments to E. Merck KG		-461	-435
Payments from new borrowings of financial liabilities from E. Merck KG		881	560
Repayments of financial liabilities to E. Merck KG		-729	-484
Repayment of bonds		-272	-1,738
Payments from issuance of bonds		-	5,756
Payments from new borrowings of other current and non-current financial liabilities		236	4,106
Repayments of other current and non-current financial liabilities		-1,424	-470
Net cash flows from financing activities	→ 34	-1,908	7,164
thereof: from discontinued operations		-	-
Changes in cash and cash equivalents		107	-2,577
Changes in cash and cash equivalents due to currency translation		8	531
Cash and cash equivalents as of January 1		832	2,879
Changes in cash and cash equivalents due to changes in scope of consolidation		-8	-
Cash and cash equivalents as of December 31		939	832
Plus cash and cash equivalents included in assets held for sale		-	-
Cash and cash equivalents as of December 31 (consolidated balance sheet)	→ 23	939	832

Consolidated Statement of Changes in Net Equity

For details see Note [24] "Equity".

€ million	Equity capital			Retained earnings	
	General partner's equity Merck KGaA	Subscribed capital Merck KGaA	Capital reserves (share premium) Merck KGaA	Retained earnings/ Net retained profit	Remeasurement of defined benefit plans
Balance as of January 1, 2015	397	168	3,814	6,500	-1,275
Profit after tax	-	-	-	1,115	-
Other comprehensive income	-	-	-	-	115
Comprehensive income	-	-	-	1,115	115
Dividend payments	-	-	-	-129	-
Profit transfer to/from E. Merck KG including changes in reserves	-	-	-	-461	-
Transactions with no change of control	-	-	-	-	-
Changes in scope of consolidation/Other	-	-	-	-	-
Balance as of December 31, 2015	397	168	3,814	7,025	-1,160
Balance as of January 1, 2016	397	168	3,814	7,025	-1,160
Profit after tax	-	-	-	1,629	-
Other comprehensive income	-	-	-	-	-344
Comprehensive income	-	-	-	1,629	-344
Dividend payments	-	-	-	-136	-
Profit transfer to/from E. Merck KG including changes in reserves	-	-	-	-466	-
Transactions with no change of control	-	-	-	-	-
Changes in scope of consolidation/Other	-	-	-	-3	3
Balance as of December 31, 2016	397	168	3,814	8,049	-1,501

Gains/losses recognized in equity

Available-for-sale financial assets	Derivative financial instruments	Currency translation difference	Equity attributable to Merck KGaA shareholders	Non-controlling interests	Total equity
-	393	1,745	11,742	59	11,801
-	-	-	1,115	9	1,124
5	- 568	969	521	3	524
5	- 568	969	1,636	12	1,648
-	-	-	- 129	- 4	- 133
-	-	-	- 461	-	- 461
-	-	-	-	-	-
-	-	-	-	-	-
5	- 176	2,714	12,787	68	12,855
5	- 176	2,714	12,787	68	12,855
-	-	-	1,629	4	1,633
19	- 15	515	175	2	177
19	- 15	515	1,804	6	1,810
-	-	-	- 136	- 3	- 139
-	-	-	- 466	-	- 466
-	-	-	-	-	-
-	-	-	-	- 10	- 10
24	- 191	3,229	13,989	61	14,050