



MERCK GROUP TREASURY

Flexible reporting in a heterogeneous system environment

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MERCK

We are merck — the original

In 1887, Merck opened its own office in New York, which gave rise to the subsidiary Merck & Co. three years later. As a result of World War I, this subsidiary was expropriated in 1917 and has been an independent company ever since.

Merck – the original holds the global rights to the Merck name and brand.

Exceptions are Canada and the United States, where we operate as EMD Serono, MilliporeSigma and EMD Performance Materials.



What we do



- **Prescription drugs** and solutions to treat cancer, multiple sclerosis, infertility, cardiovascular and metabolic diseases
- **Over-the-counter** products for a healthy lifestyle
- **Allergy** products and **biosimilars**



- Innovative **tools** and **laboratory supplies** for the life science industry that make **research** and **biotech** production better, faster and safer
- **Broad and in-depth portfolio** of 300,000 products
- **Industry leading e-commerce platform**, SigmaAldrich.com
- Award-winning **innovation**



- A wide range of **high-tech chemicals**, such as:
 - **Liquid crystals** and **OLED** materials for displays & lighting
 - **Effect pigments** for coatings and cosmetic products
 - **Specialty chemicals** for the semiconductor industry
 - **Functional materials** for solar panels

Group Treasury at Merck - One global Treasury

Treasury is a **centralized** function in Darmstadt, Germany.

There are no other treasury centers in the group.

Treasury plans to establish Treasury Hubs in Asia and Latam which will be part of the group function. The Treasury employees in Asia and Latam will deliver all treasury services for the subsidiaries in the respective time zone.

Group Treasury has the overall **responsibility** within the Group for:

- **Ensuring sufficient liquidity** at all time
- **Safeguarding financial solvency** for external growth
- **Limiting financial risks** within a sound economic framework
- **Bank** relations and accounts

**Optimizing treasury
processes
and systems is key**

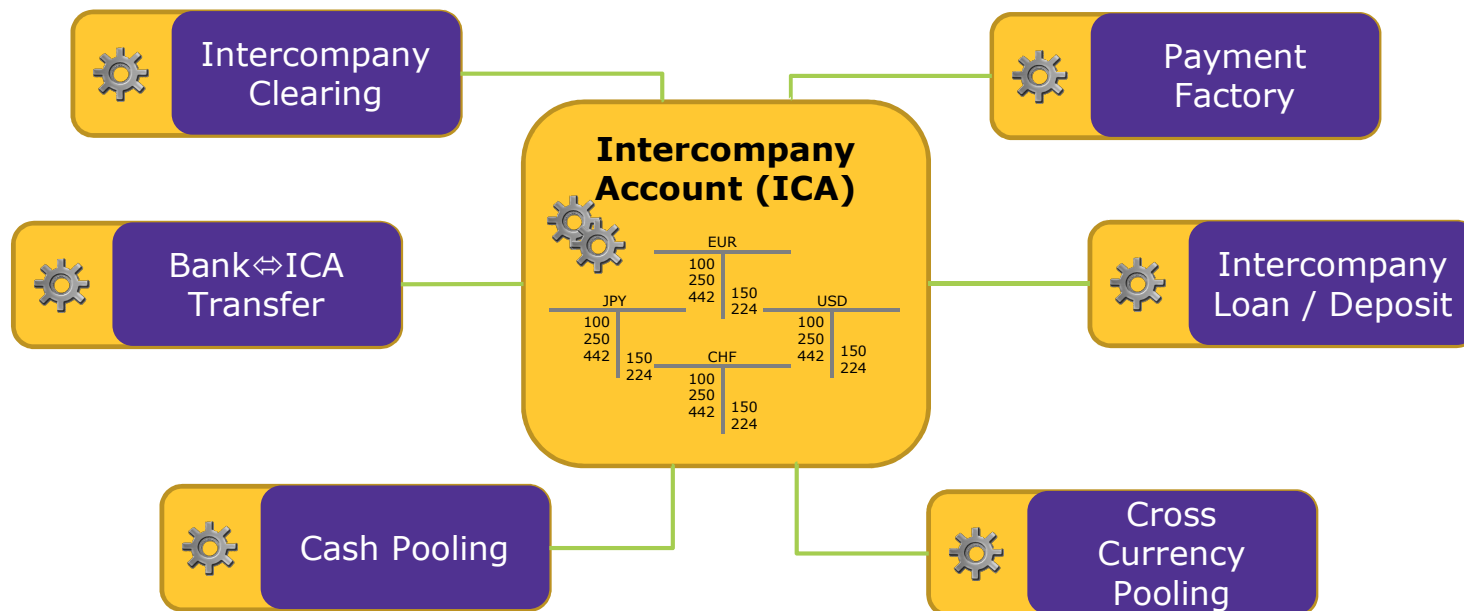
Drivers of Treasury Setup

Main Requirements

- Complete financial **risk overview** at any time
- **Centralising** external payment flows
- Group wide efficient **intercompany clearing**
- Centralised bank **account processing**
- **Standard processes** creating efficiency for SSC
- **Very fast integration** of acquisitions

Core Processes within Merck Treasury – Intercompany accounts

MFS holds Intercompany Accounts (ICA) with each subsidiary. They have the same significance as external bank accounts. Possible cash flows occurring on ICAs:



Core Processes within Merck Treasury – IC Clearing

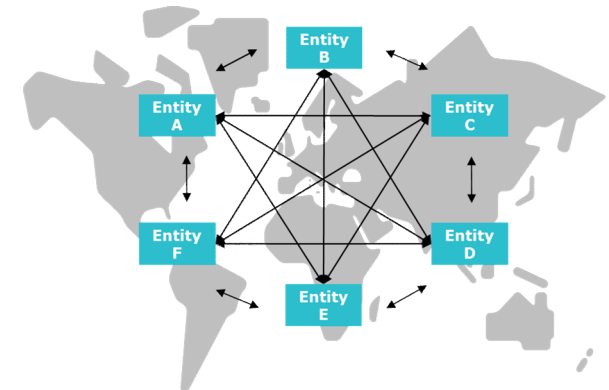
The settlement of intercompany transactions is **centralized through the In-house bank Merck Financial Services GmbH (MFS)** using group wide standardized applications

- MFS is the sole clearing **In-house Bank** of the Merck Group
- Maintains **intercompany accounts** with subsidiaries
- Provides **same** service like external banks and is **like** an external bank

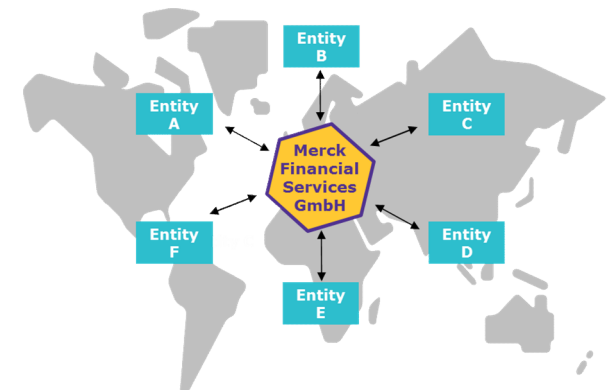
IC facts & figures

- All 391 Subsidiaries participating
- 40 currencies processed
- 2.300 intercompany accounts
- 5m transactions p.a.
- 28bn EUR transaction volume

IC Clearing without IHB MFS



IC Clearing with IHB MFS



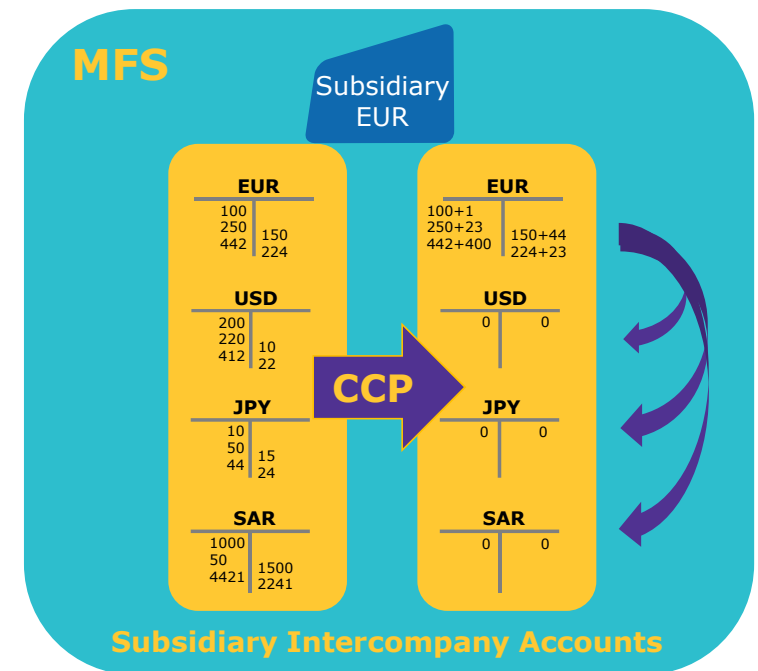
Core Processes within Merck Treasury – Central FX Management

The In-house bank **manages FX exposure centrally**, by eliminating to the most possible extent FX positions on local level

- **Cross Currency Pooling (CCP)** as instrument to internally clear the subsidiaries' intercompany accounts from FX positions
- Central hedging of **locally booked FX** exposure
- Central hedging of **planned FX** exposures
- MTO subsidiaries **excluded from central approach** due to specific restrictions

FX facts & figures

- 18.000 external FX deals
- 40 currencies
- 55bn EUR transaction volume



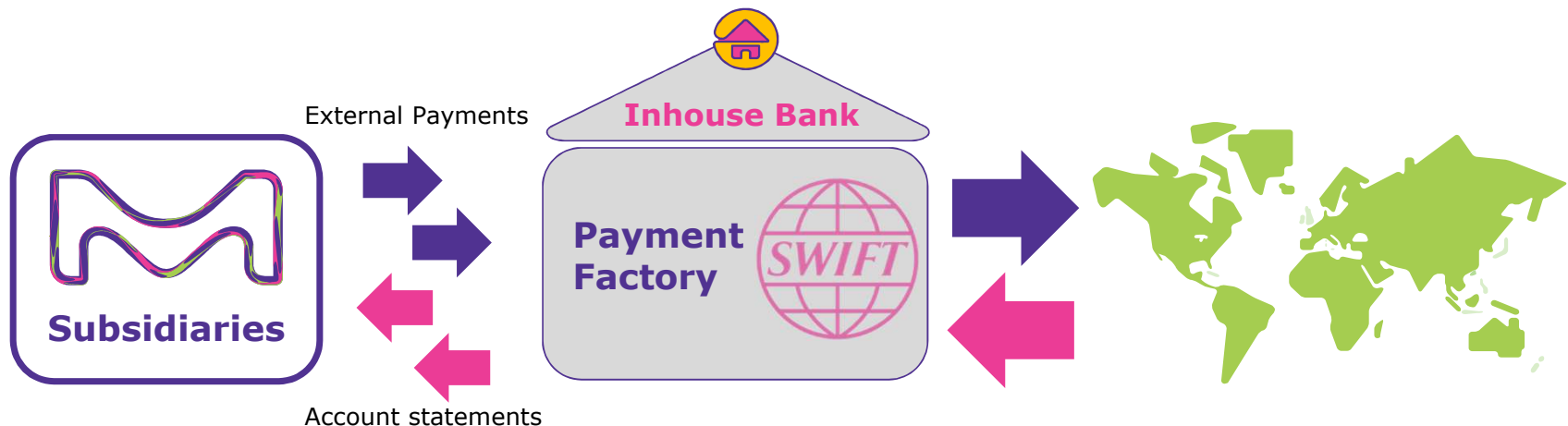
Core Processes within Merck Treasury – Payment Factory

The payment factory is the **centralized settlement of external payments** through MFS using group wide standardized applications

- Subsidiaries use payment factory to pay **external** vendors
- **Embargo-screening** of all beneficiaries and beneficiary banks
- MFS bears all **external transaction charges** – no internal reallocation
- Further Roll-out with MBS planned

PF facts & figures

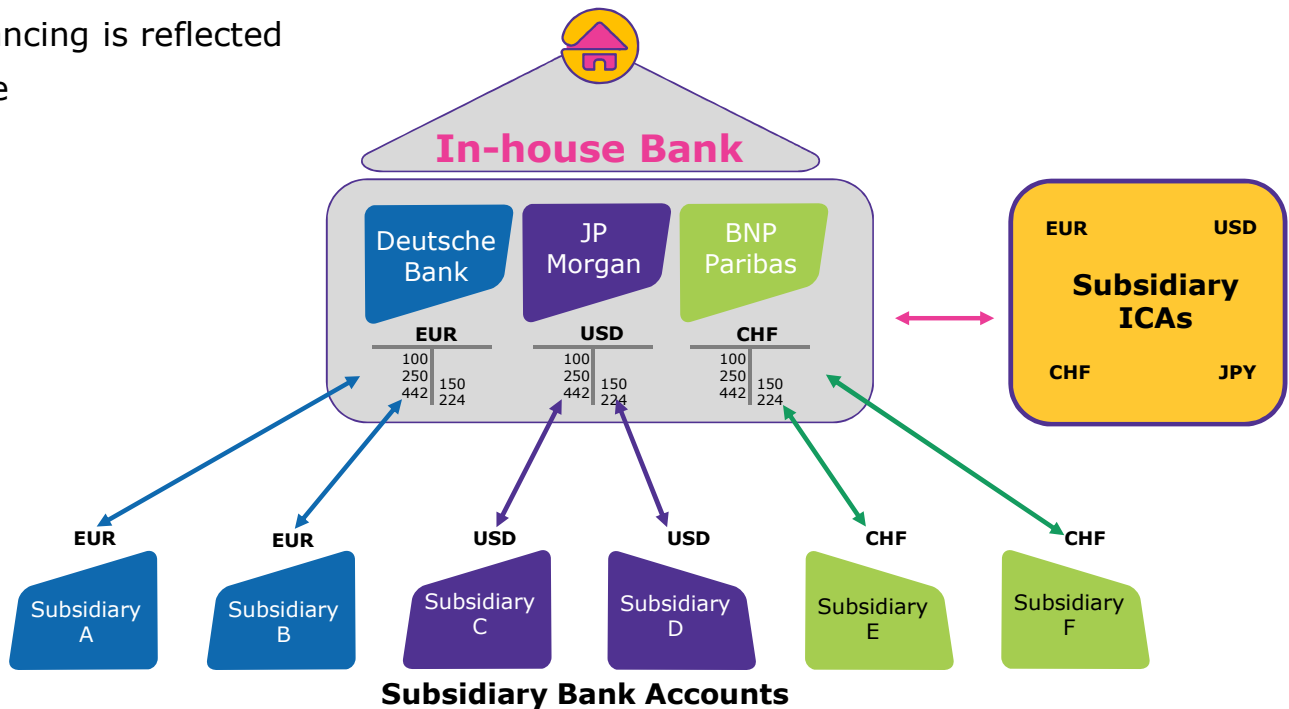
- 260 Subsidiaries participating
- 30 currencies processed
- 1m transactions p.a.
- 90bn € transaction vol.



Core Processes within Merck Treasury – Liquidity management

The In-house bank **centralizes liquidity using cash-pools (CP)** in multiple currencies

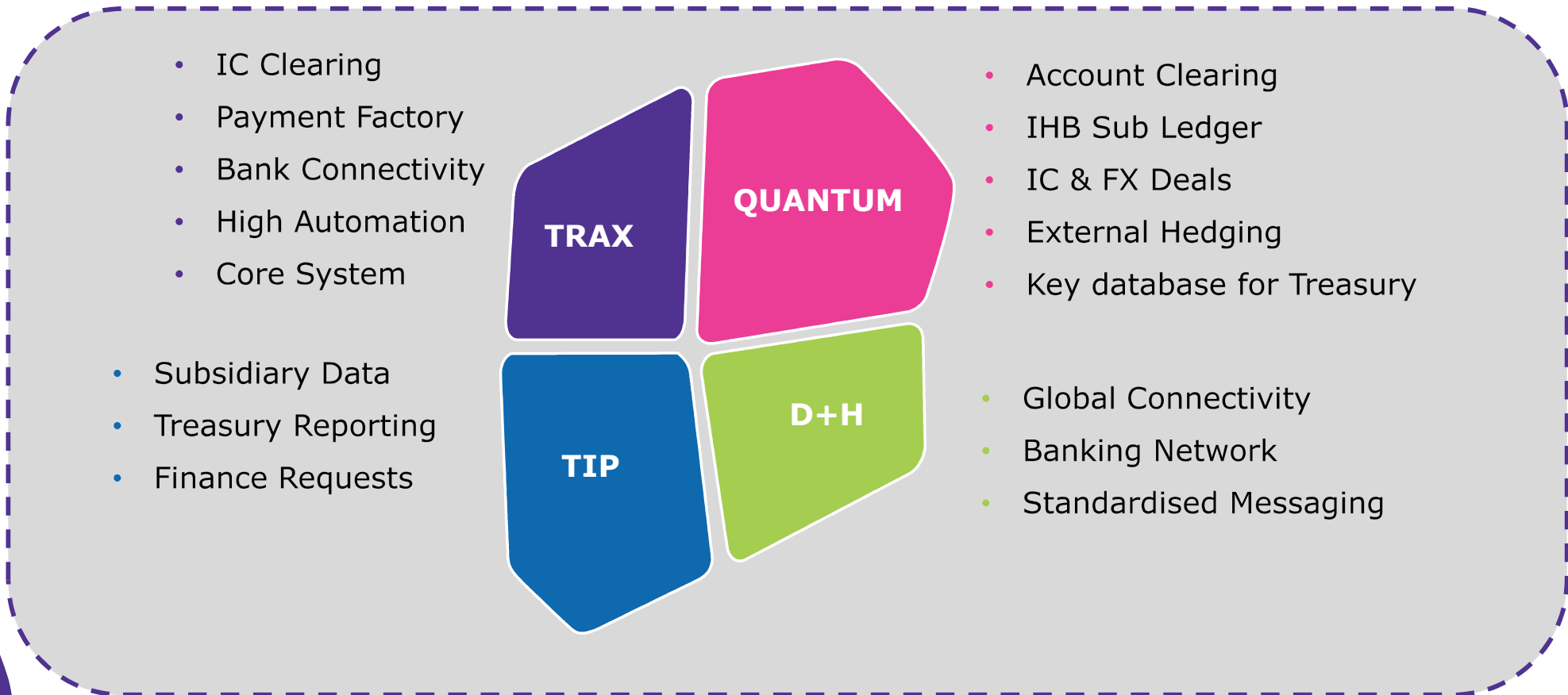
- **Automated cash sweeps** from or to connected subsidiary bank account.
At day-end all connected bank accounts are “zero-balanced”
- MFS holds **Master accounts** where Zero-balancing is reflected
- **No local account clearing** required anymore
- **Elimination** of FX balances on local level



CP facts & figures

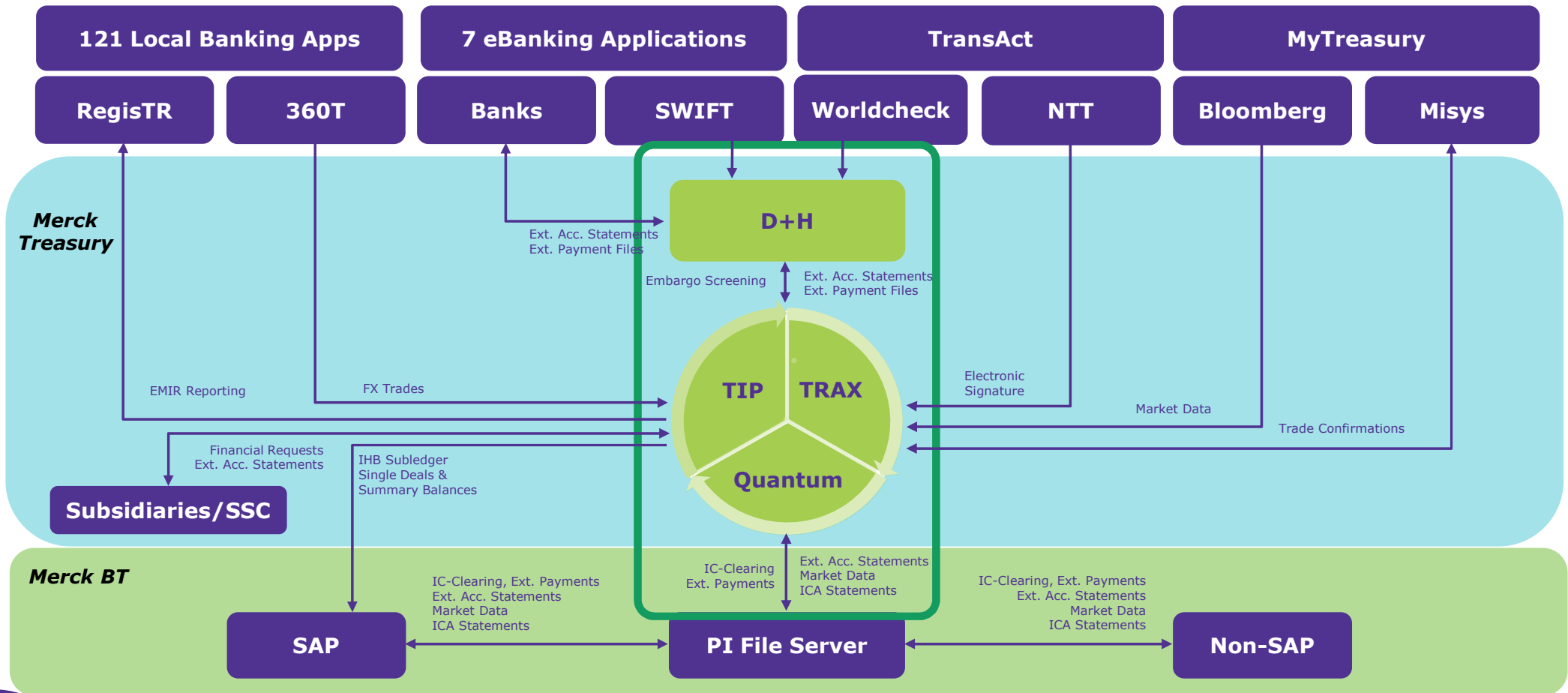
- 249 Subsidiaries participating
- 16 currencies processed
- 24bn EUR transaction vol.

Core System within Merck Treasury



Future Treasury Management System Landscape

External





**THANK YOU VERY MUCH
FOR YOUR ATTENTION AND FEEL FREE
TO ADDRESS ANY QUESTIONS TO**

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