FINANCIAL PERSPECTIVES

M³ - Meet the Management

Marcus Kuhnert
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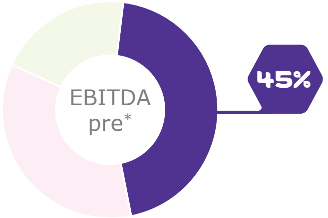
The Group
Each business sector has its specific priorities

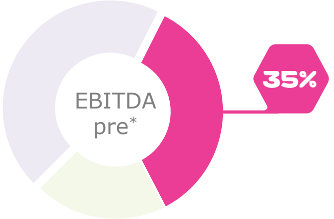
Healthcare



Funding for success

- Invest in pharma pipeline
- Prepare for launches
- Maintain cost discipline

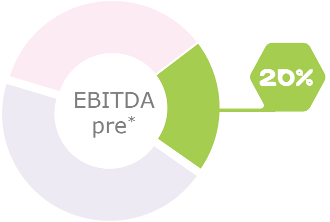
Life Science



Focusing on profitable growth

- Sustain top-line momentum
- Drive underlying earnings
- Integrate Sigma and realize synergies

Performance Materials



Maintaining superior profitability

- Build on resilient four-pillar platform
- Continuously innovate
- Protect margins with high value-added products

We are set for profitable and sustainable growth

*2014 reported EBITDA pre including Sigma-Aldrich 2014 results, 100% of expected synergies, excluding Corporate & Other

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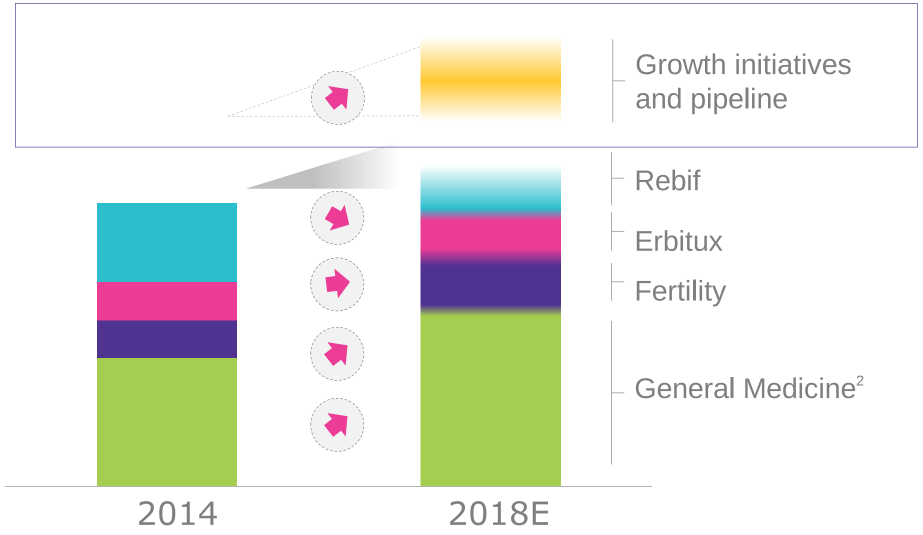
02 HEALTHCARE – FUNDING FOR SUCCESS

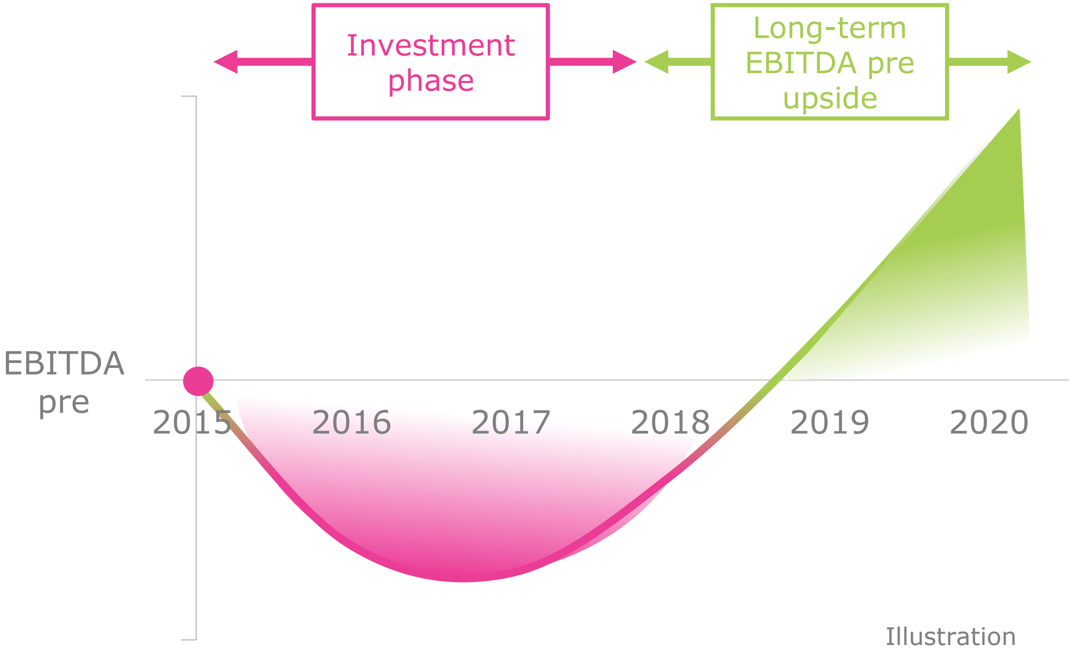
Healthcare
Pipeline opportunities will lead to rising investments

Stable to slightly growing[1] sales until 2018 confirmed



[1]Organic; [2]including Consumer Health, Cardiometabolic Care, Endocrinology, General Medicine and Others

Should pipeline catalysts materialize, investments will lead to considerable payback as of 2018+



Rising investments until 2017 to accelerate sales and earnings growth as of 2018

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Healthcare
Investments in future growth

R&D*

- Immuno-Oncology: avelumab and ramp-up of earlier pipeline projects +€150-200m cost increase in 2016
- Oncology/Immunology, e.g. tepotinib, BTK inhibitor: mid to high double-digit €m cost increase in 2016

Marketing & Selling*

- Launch readiness to be ensured for avelumab and cladribine
- Costs for launch preparation in the mid to high double-digit €m range in 2016

- **Cost discipline remains high on the agenda**
- **Stringent pipeline assessments continue**
- **Investments based on sound business cases and robust clinical data**

Long-term growth investments partly mitigated by strict cost management

*For scenario that pipeline catalysts materialize

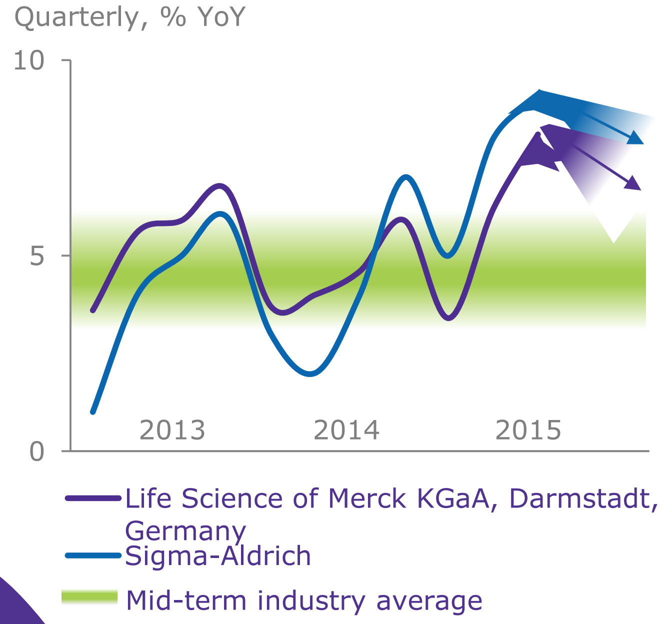
03 LIFE SCIENCE – FOCUSING ON PROFITABLE GROWTH

Life Science
Continuing profitable growth trajectory

1 Maintain organic growth at least in line with industry

- Mid-term industry growth +4-5% p.a.
- Biopharma demand remains major growth driver (high single-digit)

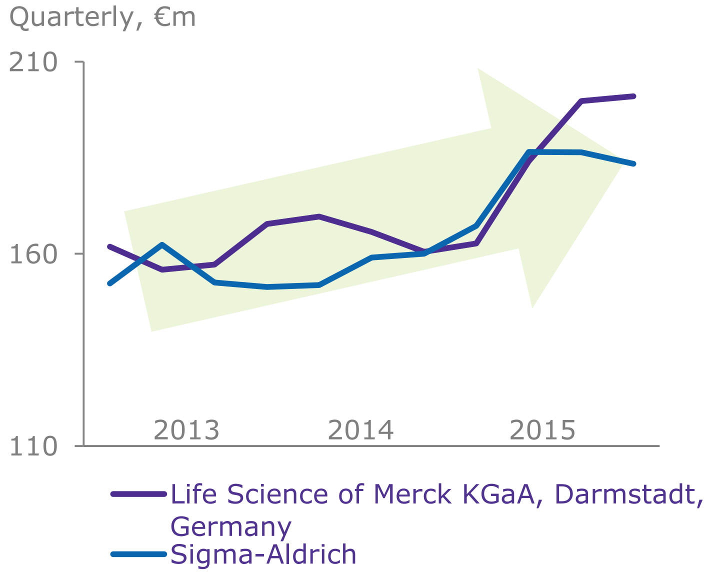
Organic sales growth



2 Drive underlying earnings

- Ongoing product innovations support earnings
- Mix benefits, e.g. solutions and services in Process Solutions

EBITDA pre



3 Achieve industry-leading margins with synergies

- Confirming synergies for 2018
  - €260m p.a. net cost synergies
  - EBITDA pre margin to rise from combined ~28% to ~33%
- Integration costs ~€400m
- Intangibles amortization from PPA*: ~€250-300m p.a.

*Purchase price allocation

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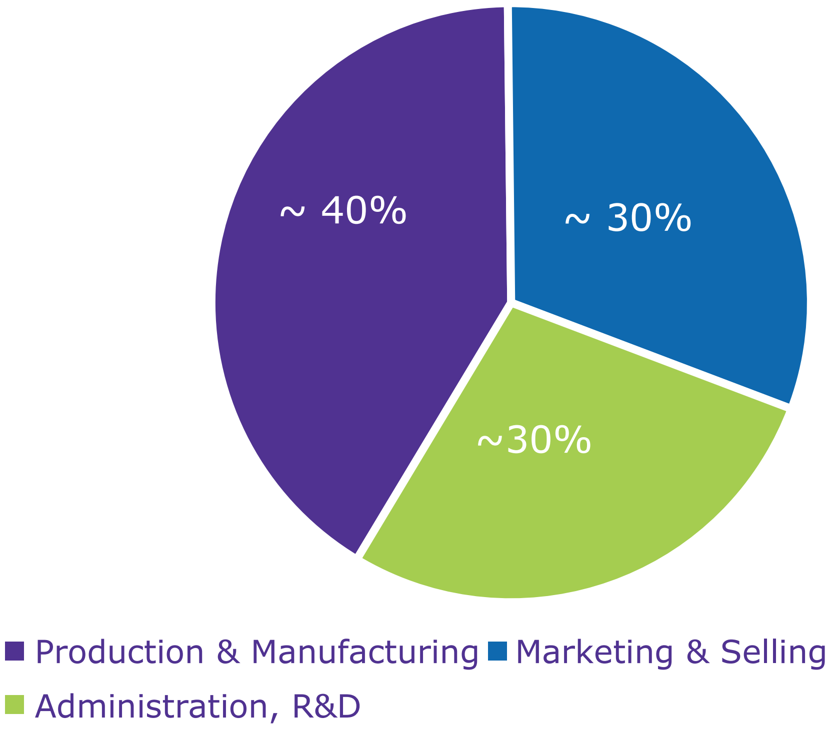
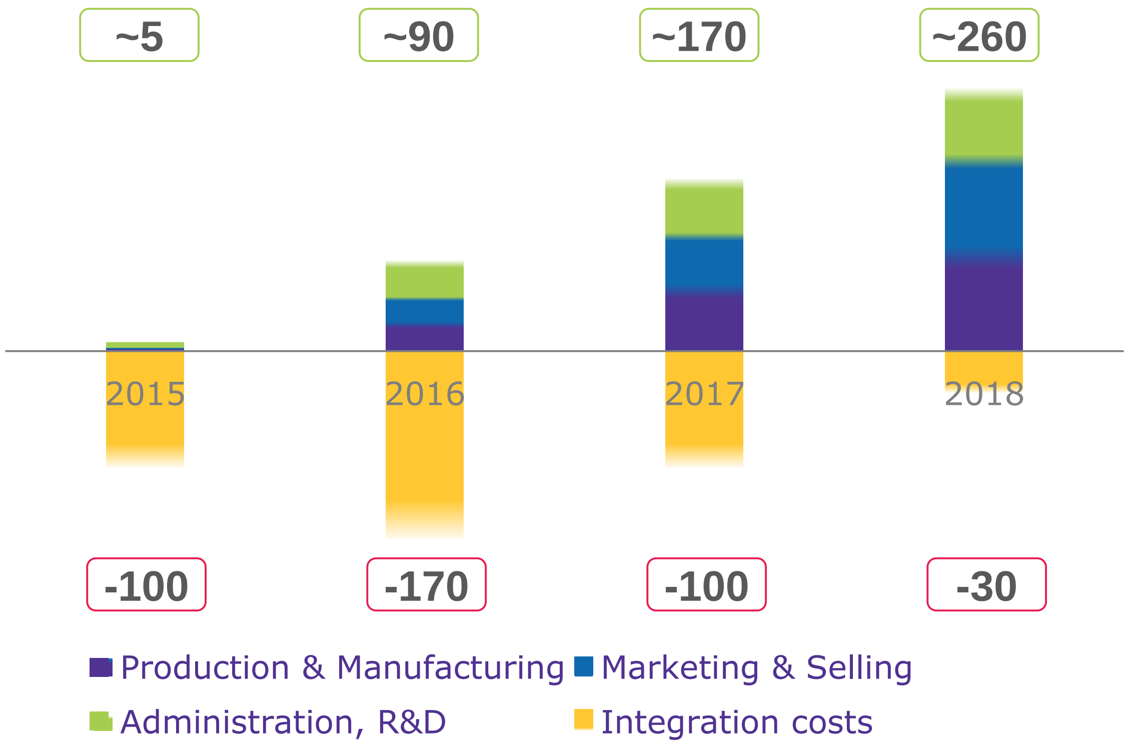
Expected synergies identified and fully confirmed

Sources of synergies (3rd full year 2018)



Timing of expected synergies and related costs, €m



Three major areas for delivering the synergies

Fast synergy ramp-up to reach two thirds of target in 2017

04 PERFORMANCE MATERIALS – MAINTAINING SUPERIOR PROFITABILITY

Performance Materials
Sound platform to deliver high earnings

1 Four-pillar platform diversifies earnings stream

- Liquid Crystals remain key earnings contributor
- AZ expertise being leveraged to develop innovative value-added solutions for customers
- OLED turns into visible growth driver
- Pigments continue to grow with high-end products

Balanced sales and consistently high earnings

2 Continuous innovation as key profitability driver

- New products contribute high growth and profitability
- LC technology mode UB-FFS launched in 2014 is the most recent example

We are the innovation leader

		First to commercialize
IPS	"Improved picture quality"	1996
VA	"Large TVs"	2000
PS-VA	"Display cost reduction & advanced performance"	2008
UB-FFS	"Superior image resolution and lower energy consumption"	2014

Diversification of portfolio and ongoing innovation support profitability

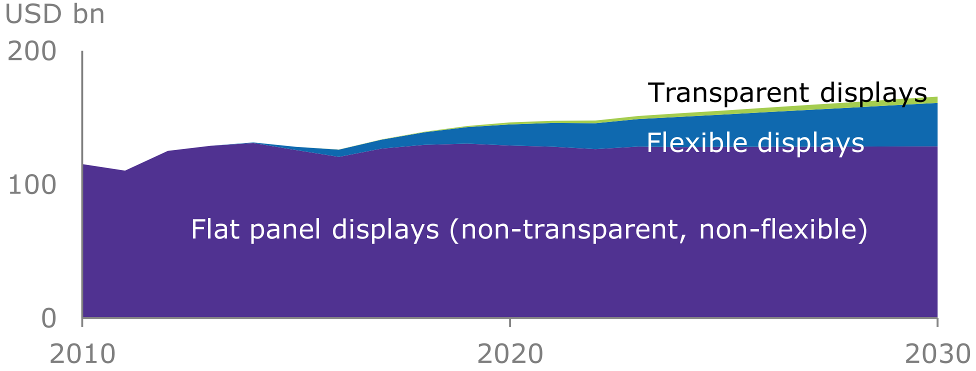
Performance Materials

Long-term growth and margin drivers are intact

3 Macroeconomics and electronics remain buoyant

- Global consumer electronics market expected to grow above GDP
- Mobile data, Internet of Things, Big Data being key growth drivers for LC and IC
- Display market continues to grow

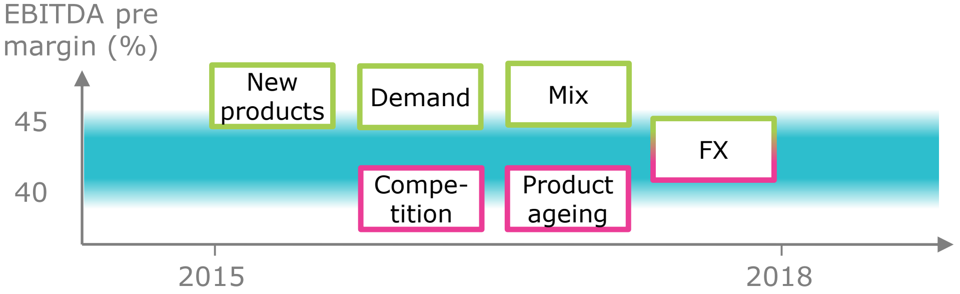
Display market opportunities continue to evolve*



4 Margins protected by high value-added products

- High market share in liquid crystals expected to prevail
- Margins are a key priority and will not be compromised

Sustainable mid-term margins



Confident to maintain low single-digit organic growth trajectory and attractive margin level

*Source: IHS, Merck KGaA, Darmstadt, Germany, VLSI

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05 EXECUTIVE SUMMARY

Key moving parts for 2016 EBITDA pre

Supporting factors

- Sigma-Aldrich contribution will be sizeable including cost synergies of ~+€90m in the first full year
- Rebif/Pfizer end of co-promotion agreement in December 2015 (net effect ~+€250m)
- Organic growth of net sales with all three business sectors contributing

Burdening factors

- R&D costs in Healthcare ~+€250m YoY from progressing R&D pipeline projects (clinical data)
- Healthcare margins impacted by product mix effects
- Kuvan divestment leads to lower recurring EBITDA pre (net effect mid-double digit €m YoY)

EBITDA pre in 2016 will reflect Sigma-Aldrich acquisition and investments in Healthcare pipeline

We have a clear set of priorities for the next two years

Focus on **cash flow and deleveraging**

- **Strong cash flow** will be used to drive down gearing to <2x net debt / EBITDA pre in 2018
- **Larger acquisitions (>€500m) ruled out** for the next two years
- **Dividend policy** reflects sustainable earnings trend

Ongoing cost discipline

- **Synergy generation** is utmost priority
- **Cost discipline** continues in all business sectors
- **Further efficiency gains** from ongoing improvement and harmonization of processes and systems

Efficient capital allocation

- **All our businesses** have growth potential
- **Decisions on growth investments** are based on sound business cases and robust clinical data

Near-term financial priorities will secure our profitable growth path