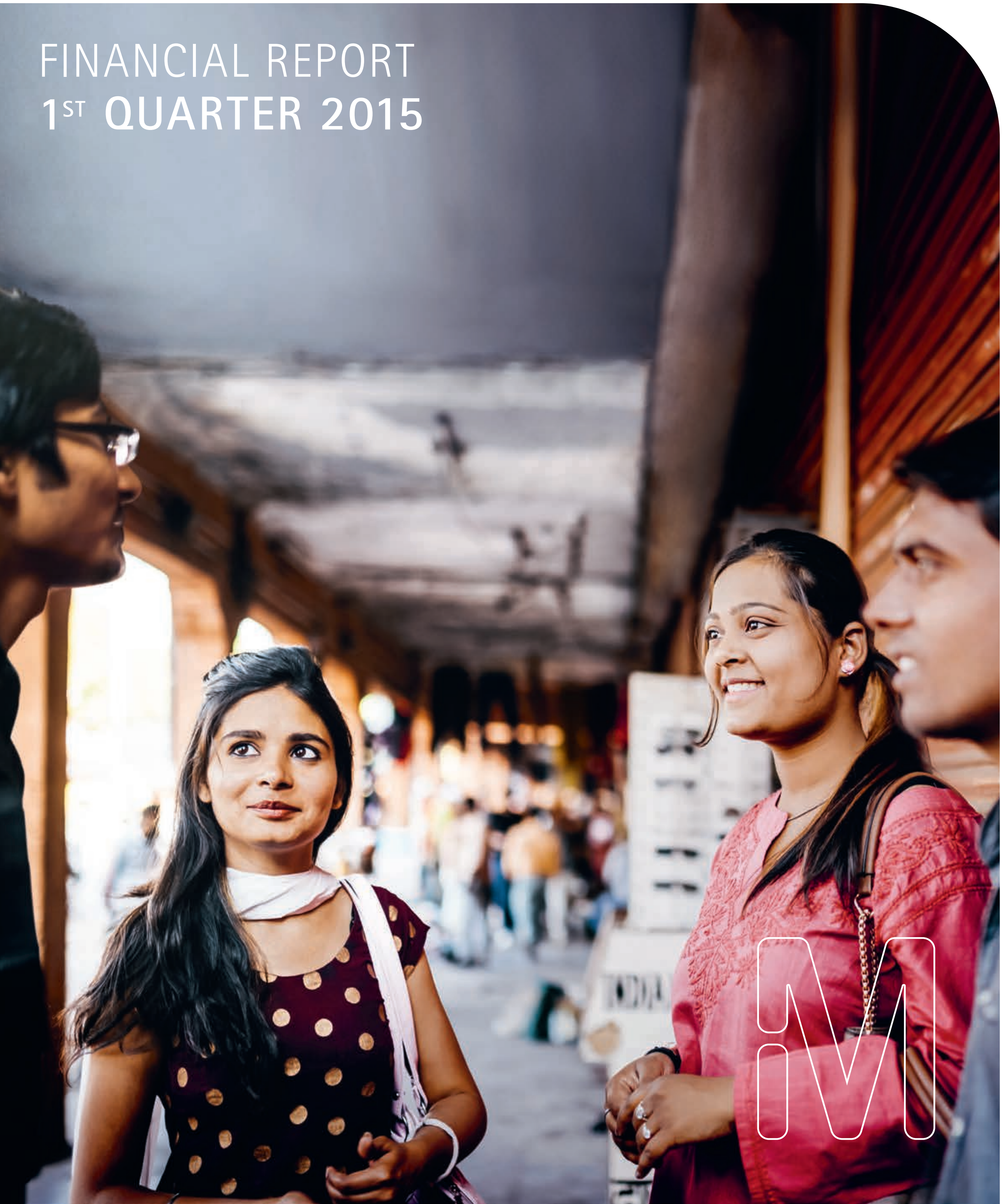
Merck KGaA
Darmstadt · Germany

FINANCIAL REPORT
1ST QUARTER 2015



DISCLAIMER

OUR COVER PHOTO →

MARKETS IN MOTION

The world is changing at breathtaking speed. Megatrends, which characterize the deep-seated social and technological changes taking place around the globe, are one reason. In our Annual Report for 2014, we take a closer look at four global trends and show how we are meeting them, positioning itself optimally for the future – and taking decisive steps to help shape tomorrow.

The cover photo of our report on the first quarter refers to one of these trends, namely globalization. The world is converging – with amazing dynamism. Economic boundaries are blurring, and global competition is heating up at an accelerating rate. As incomes rise, so do consumption and health awareness.

Merck KGaA, Darmstadt, Germany, sees these new markets as future hubs – and is becoming even more international. We are strengthening our presence in growth markets and preparing ourselves for a successful future.

Our Annual Report has been optimized for mobile devices and is available on the Web at http://www.emdgroup.com/results

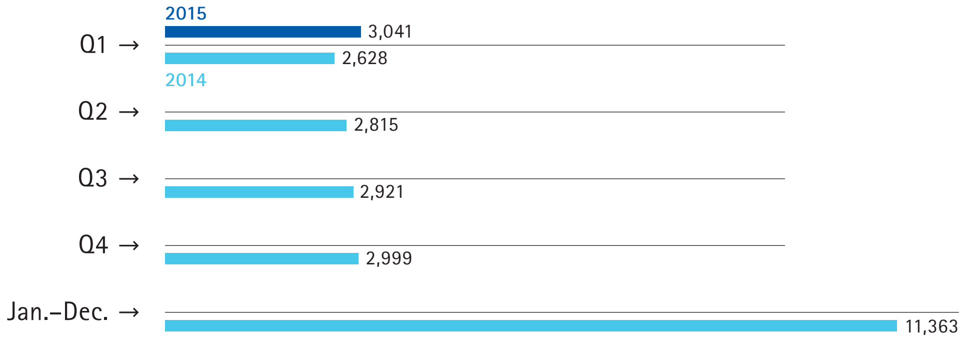
GROUP – IN BRIEF

GROUP →
KEY FIGURES

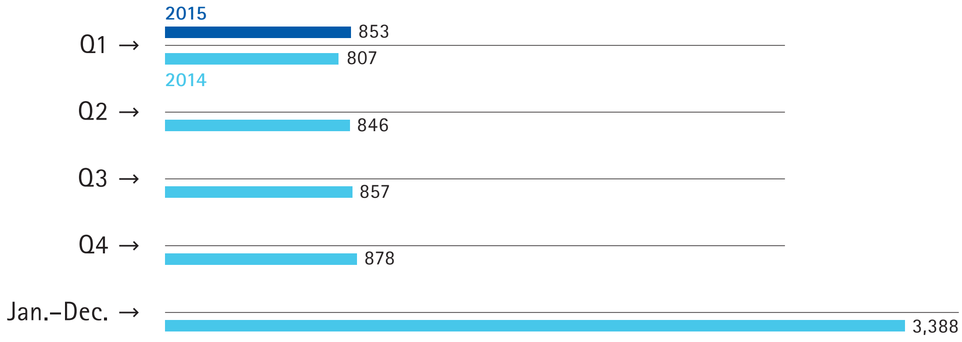
€ million	Q1 – 2015	Q1 – 2014	Change in %
Net sales[1]	3,041.2	2,628.2	15.7
Operating result (EBIT)	480.0	468.3	2.5
Margin (% of net sales)[1]	15.8	17.8	
EBITDA	805.4	770.2	4.6
Margin (% of net sales)[1]	26.5	29.3	
EBITDA pre exceptionals	853.0	807.1	5.7
Margin (% of net sales)[1]	28.0	30.7	
Earnings per share (€)[2]	0.65	0.75	–13.3
Earnings per share pre exceptionals (€)[2]	1.12	1.15	–2.6
Business free cash flow	360.5	684.1	–47.3

[1] The composition of net sales has changed, see "Accounting Policies" in the Notes to the interim Group accounts.
[2] Taking into account the share split; previous year's figures have been adjusted accordingly. See "Earnings per share" in the Notes to the interim Group accounts.

GROUP →
NET SALES BY QUARTER – Q1 2015
€ million



GROUP →
EBITDA PRE EXCEPTIONALS BY QUARTER – Q1 2015
€ million



COMPANY SHARES

At a glance

The strong upward trend of shares of Merck KGaA, Darmstadt, Germany, in 2014 also continued in the first quarter of 2015. Company shares opened at € 77.88 on January 2, 2015 and reached € 104.10 on March 31, 2015, which was just slightly below their new all-time high of € 106.45 on March 30, 2015.

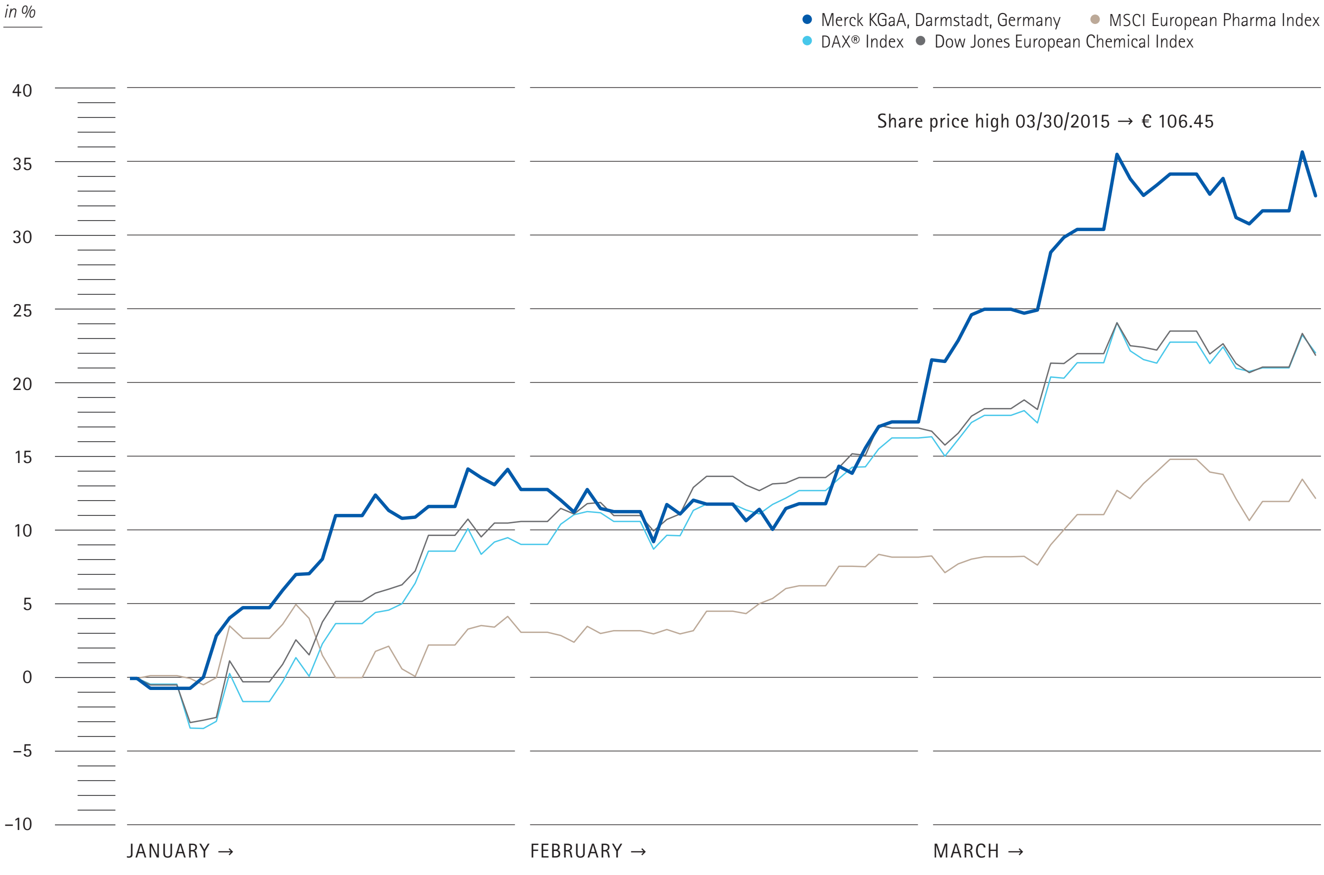
Increasing by around 33% in the first quarter, the development of the company share price was considerably better than that of the relevant comparative indices: Company shares were 11 percentage points stronger than the DAX®, which rose by 22% in the same period. Company shares also outperformed the MSCI European Pharma Index by 21 percentage points and the Dow Jones European Chemical Index by 11 percentage points.

The reasons for this include the Group's full-year report on 2014 as well as the solid outlook for 2015. In addition, macroeconomic factors played an important role, for instance the continuation of expansionary monetary policy, especially also in Europe, the relative weakness of the euro, and the low price of oil. From the perspective of many market participants, this has sustained the high attractiveness of European shares, influencing corresponding investments.

COMPANY SHARES →

SHARE PRICE DEVELOPMENT FROM JANUARY 1, 2015 TO MARCH 31, 2015

in %



Source: Bloomberg (closing rates)

FUNDAMENTAL INFORMATION ABOUT THE GROUP
THE GROUP

Merck KGaA, Darmstadt, Germany, is the parent company of a global corporate group headquartered in Darmstadt, Germany. With a history dating back nearly 350 years, it is the world's oldest pharmaceutical and chemical company. The company holds the global rights to the name and the trademark MERCK. The only exceptions are Canada and the United States, where the company operates as EMD Serono, EMD Millipore und EMD Performance Materials.

The Group's product portfolio ranges from innovative pharmaceuticals and biopharmaceutical products, to specialty chemicals, high-tech materials and life science tools. Until December 31, 2014, Merck KGaA, Darmstadt, Germany, used a reporting structure consisting of four divisions: the Biopharmaceuticals division, Consumer Health, Performance Materials and the Life Science division.

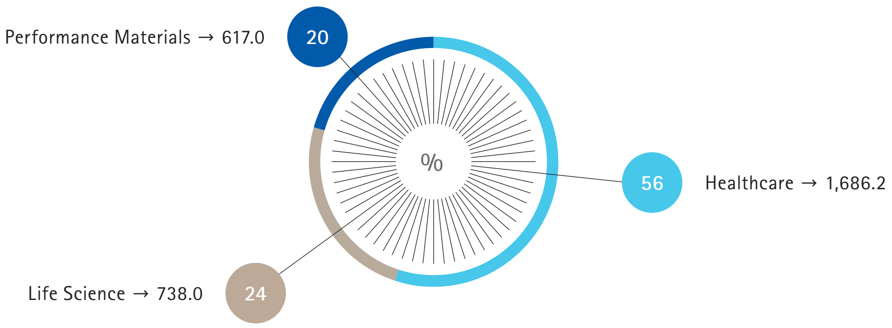
In line with its strategic direction effective January 1, 2015, the Group is organized into three business sectors: Healthcare, Life Science, and Performance Materials, which comprise the Group's six businesses. This structure is reflected for the first time in this report on the first quarter of 2015. The Group regional reporting structure also changed as of January 1, 2015. It now comprises five regions: Europe, North America, Asia-Pacific (APAC), Latin America as well as Middle East and Africa (MEA).

The Group had 39,842 employees worldwide on March 31, 2015, compared with 38,274 employees on March 31, 2014. The increase in the number of employees is mainly attributable to the integration of AZ Electronic Materials.

GROUP →

NET SALES BY BUSINESS SECTOR – Q1 2015

€ million / % of net sales



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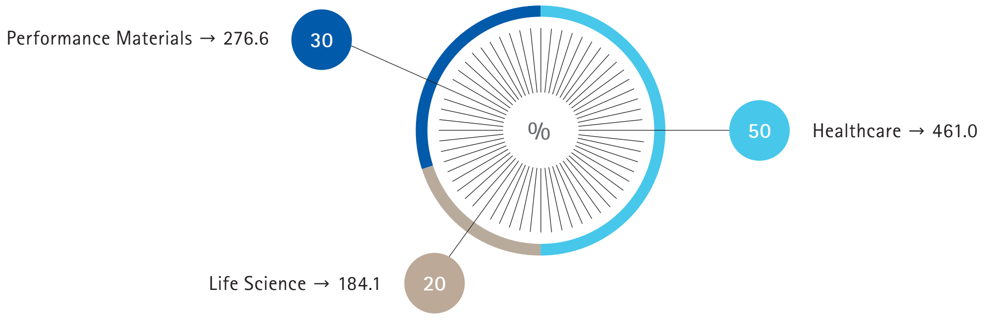
EBITDA PRE EXCEPTIONALS BY BUSINESS SECTOR – Q1 2015

€ million / in %

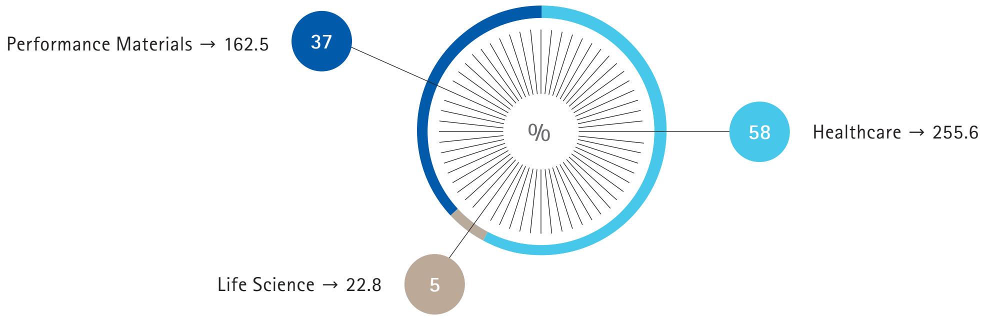


Not presented: Decline in Group EBITDA pre exceptionals by € –68.7 million due to Corporate and Other.

GROUP →

BUSINESS FREE CASH FLOW BY BUSINESS SECTOR – Q1 2015

€ million / in %

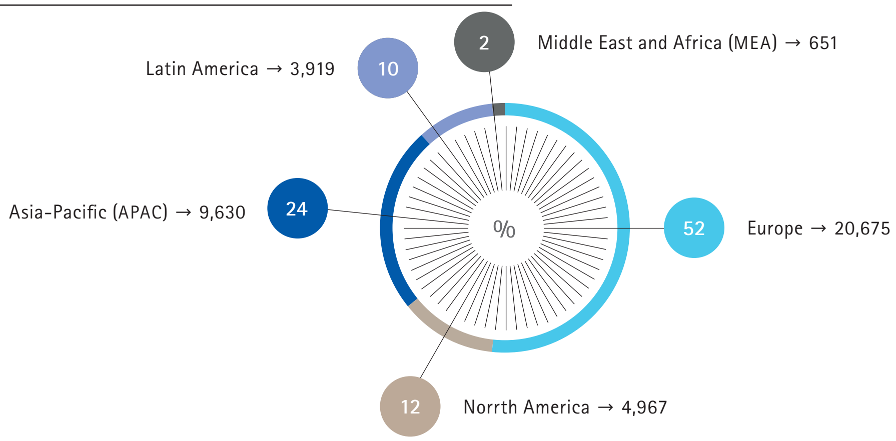


Not presented: Decline in Group business free cash flow by € –80.3 million due to Corporate and Other.

GROUP →

DISTRIBUTION OF EMPLOYEES BY REGION AS OF MARCH 31, 2015

Number / in %



HEALTHCARE

The Healthcare business sector of Merck KGaA, Darmstadt, Germany, comprises the four businesses the Biopharmaceuticals business, Consumer Health, Biosimilars and Allergopharma. In the first quarter of 2015, the Healthcare business sector of Merck KGaA, Darmstadt, Germany, generated 56% of Group sales and 50% of EBITDA pre exceptionals (excluding Corporate and Other), making it the largest of the company's three business sectors.

Since January 1 of this year, Belén Garijo has been the member of the Executive Board responsible for the Healthcare business sector of Merck KGaA, Darmstadt, Germany.

BIOPHARMACEUTICALS

The Biopharmaceuticals business discovers, develops, manufactures and markets innovative pharmaceutical and biological prescription drugs to treat cancer, multiple sclerosis (MS), infertility and growth disorders, as well as certain cardiovascular and metabolic diseases. The present Biopharmaceuticals business was formed in 2007 with the acquisition of the Swiss biopharmaceutical company Serono SA, which was integrated stepwise into the prescription drugs business. With headquarters in Darmstadt, Germany, the Biopharmaceuticals business offers leading brands in specialty medicine indications.

The Biopharmaceuticals business commercializes its products worldwide and has a strong presence in established markets. The Biopharmaceuticals business' products are available in various countries and regions of the world under different brand names.

The regions of Europe and North America generated 61% of the Biopharmaceuticals business' sales in the first quarter of 2015. In recent years, the Biopharmaceuticals business has steadily expanded its presence in growth markets. In the reporting period, the Asia-Pacific and Latin America regions accounted for 34% of its sales.

Rebif®, the Biopharmaceuticals business' top-selling product, is used to treat relapsing forms of multiple sclerosis, which is one of the most common neurological diseases among young adults.

Erbitux® is the second best-selling drug in the Biopharmaceuticals business' product portfolio and its flagship product in Oncology. The product is a standard of care in multiple lines of metastatic colorectal cancer (mCRC) therapy as well as of both recurrent / metastatic and locally advanced squamous cell carcinoma of the head & neck (SCCHN).

On November 17, 2014, the Biopharmaceuticals division entered into a global strategic alliance with Pfizer Inc. to develop and commercialize avemulab, an investigational anti-PD-L1 antibody currently in development by the Biopharmaceuticals division as a potential treatment for multiple tumor types, thereby accelerating the two companies' presence in immuno-oncology. The two companies have also agreed to combine resources and expertise to advance Pfizer's preclinical-stage anti-PD-1 antibody into Phase I trials.

As part of the strategic alliance, the Biopharmaceuticals business, will co-promote Pfizer's Xalkori®, a medicine to treat non-small cell lung cancer in the United States and several other key markets. Under the agreement, Xalkori® will be co-promoted in two waves, the first of which will begin in the second and third quarters of 2015 in the United States, Canada, Japan and five European Union countries (France, Germany, Italy, Spain and the United Kingdom). In the United States and Canada, Xalkori® will be co-promoted by EMD Serono, the U.S. and Canadian biopharmaceutical businesses of Merck KGaA, Darmstadt, Germany. The second wave will begin in 2016 and includes China and Turkey. In 2015, the Group will receive compensation associated with its promotion of Xalkori®, followed by an 80% (Pfizer), 20% (Merck KGaA, Darmstadt, Germany) profit sharing on the product starting in 2016. The co-promotion term will last through December 31, 2020 for the United States, Canada, Japan, France, Germany, Italy, Spain and the United Kingdom and from January 1, 2016 through December 31, 2021 in China and Turkey.

The Biopharmaceuticals business also offers products that help couples to conceive a child and is the only company to offer the most complete and clinically proven portfolio of fertility drugs for every stage of the reproductive cycle, including recombinant versions of the three hormones needed to treat infertility. As a market leader and innovator, the Biopharmaceuticals business supports the improvement of success in Assisted Reproductive Technology not only with drugs, but also innovative technologies, for example to assess embryo viability. The products in the Fertility franchise are an important growth driver for the Biopharmaceuticals business. This is due to different factors, such as the increasing demand in emerging markets and the trend of couples postponing childbearing until later in life when natural fertility declines.

The General Medicine franchise mainly includes brands to treat cardiometabolic diseases. Although no longer patent-protected, the excellent brand equity built over decades makes the flagship products cornerstones for the treatment of chronic cardiovascular or metabolic diseases. This applies, for example, to Glucophage® containing the active ingredient metformin, the drug of choice for first-line treatment of type 2 diabetes, as well as to Concor® containing bisoprolol, the leading beta-blocker for chronic cardiovascular diseases such as hypertension, as well as Euthyrox® (levothyroxine) as the leading treatment for hypothyroidism. Particularly in growth markets, there is a continuous rise in demand for cardiometabolic therapies. This is due to both increasing life expectancy and in part also to growing prosperity in this region, along with the resulting changes in lifestyle and dietary habits. Beyond developing life cycle management products to capitalize on the Biopharmaceuticals business' strong brand equity, the company entered into a long-term strategic partnership with Lupin Ltd. of India to broaden the General Medicine portfolio in emerging markets with affordable, high-quality medicines.

The Biopharmaceuticals business is continuously working to improve ways to administer medicines and active ingredients. For several years, the Biopharmaceuticals business has been developing novel injection devices, which make injections more user-friendly and at the same time more reliable for patients than conventional or prefilled syringes. In addition, these products make it easier for health care practitioners and patients to ensure adherence and thus to reach their treatment goals. Examples are the easypod™ electromechanical injection devices for the delivery of Saizen® (somatropin) and RebiSmart™ for Rebif® (interferon beta-1a). Additionally, both easypod™ and RebiSmart™ are able to wirelessly transfer data such as injection times, dates and doses to the Web-based software systems easypod™ connect and MSdialog. the Biopharmaceuticals business is advancing its research and development (R&D) portfolio across the areas of oncology, immuno-oncology and immunology, and continues to invest in developing programs in multiple sclerosis. With its expertise in discovery and early development, as well as approximately 25 projects in clinical development, the Biopharmaceuticals business is focused on delivering differentiated new therapies to patients with unmet medical needs.

CONSUMER HEALTH

Consumer Health manufactures and markets over-the-counter pharmaceuticals. Consumer Health focuses on a number of well-known strategic brands such as Neurobion®, Bion®, Seven Seas®, Nasivin®, Femibion®, and Dolo-Neurobion®, as well as Floratil®, Sangobion®, Vigantoletten®, Apaisyl®, and Kytta®. Consumer Health has a high market penetration in Europe, Latin America and Southeast Asia, and is generating particularly strong growth in growth markets, especially in India, Indonesia and Brazil, which have firmly established themselves among the top-ten markets in terms of sales.

Global megatrends favor the future growth of Consumer Health. People are becoming more health-conscious and concerned with their own physical well-being. Preventive health care and as little invasive medication as possible are becoming increasingly important – in both established and growth markets, characterized by a growing middle class with specific needs.

As of the first quarter of 2015, the product brand Vigantol® was transferred from the Biopharmaceuticals business to Consumer Health. This is a vitamin D3 product that is the market leader in Germany, its main market. The transfer of a further brand is aimed at utilizing the potential of the consumer-oriented business model of Consumer Health in order to position and market these brands even more successfully in the market. The Consumer Health business continues to pursue in the "3 x 3 strategy", with the aim of deliberately investing in each country where it has at least three leading brands so as to achieve a market share of at least 3%.

BIOSIMILARS

The Biosimilars business is committed to providing access to high-quality biologics to more patients all over the globe. The unit is developing a biosimilars portfolio focused on oncology and inflammatory disorders, through both in-house research and development expertise in biologics, and partnerships with other biosimilar players. The initiation of Phase III trials is planned for 2015/2016 onwards.

Biosimilars is an attractive market in which the Group is well-positioned as it can build on existing strengths and capabilities across the biosimilars value chain. This includes the ability to leverage internal assets or source capabilities from suppliers to ensure compliance with regulatory requirements, secure market access across key growth markets, leverage commercial manufacturing capabilities and flexibility, as well as adopt a tailored go-to-market approach.

Merck KGaA, Darmstadt, Germany, has also established strategic alliances with Dr. Reddy's in India to co-develop several oncology compounds and with Bionovis in Brazil to supply the Brazilian market with biological products under the Product Development Partnership (PDP) policy of the Brazilian Ministry of Health.

ALLERGOPHARMA

The allergy business Allergopharma of Merck KGaA, Darmstadt, Germany, is one of the leading companies in the field of allergen immunotherapy (AIT). Its portfolio includes a diverse spectrum of approved allergen products that meet high quality standards. AIT (hyposensitization, desensitization, specific immunotherapy) is the only causal therapy for treating allergies to unavoidable allergens. AIT is primarily carried out by physicians who specialize in allergies, such as ENT doctors, dermatologists, pediatricians, and pulmonologists.

Allergopharma manufactures products to diagnose and treat type 1 allergies such as hay fever or allergic asthma. The allergy business offers high-dose, hypoallergenic, standardized products for allergen immunotherapy of pollen and mite allergies. These allergoids have a special focus in Allergopharma's product portfolio and constitute a cornerstone in its integrated health approach for patients suffering from these conditions. For effective treatment, reliable diagnosis is key. Allergopharma offers a broad range of diagnostics in the field of allergies with more than 100 single allergens, providing physicians with the specific tools needed to identify the substances causing an allergy. In addition, Allergopharma provides individual allergen extracts on a named patient basis, which are needed to treat less frequent allergies – personalized medicine has been a reality for Allergopharma for many years now. Products of Allergopharma are available in more than 20 markets worldwide. All products are manufactured under ultrapure, sterile conditions in Reinbek near Hamburg.

The market for causal allergy therapies is a global growth market. On the one hand, the global growth expected by market researchers will be generated by an increasing number of people with allergies, and on the other hand it is based on the growing use of specific immunotherapy (SIT) in many emerging markets.

With its own research department and in cooperation with research institutes and other partners, the Group is helping to develop a better understanding of the immunological mechanism that underlies the development of allergies and is actively working on the next generation of drugs for allergen immunotherapy. Plans to expand production in Reinbek near Hamburg in 2016, thus expanding capacity, will advance global expansion and will also help to meet the increasingly high manufacturing standards.

LIFE SCIENCE

The Life Science business sector of Merck KGaA, Darmstadt, Germany, currently comprises the business of Life Science. Subsequent to the planned acquisition of Sigma-Aldrich, which Merck KGaA, Darmstadt, Germany, announced on September 22, 2014, the business of Sigma-Aldrich would also belong to the Life Science business sector of Merck KGaA, Darmstadt, Germany. In the first quarter of 2015, Life Science generated 24% of Group sales and 20% of EBITDA pre exceptionals (excluding Corporate and Other). In the event of the successful acquisition of Sigma-Aldrich, these percentages would increase significantly, thus further raising the importance of the Life Science business sector of Merck KGaA, Darmstadt, Germany.

LIFE SCIENCE

The Life Science business has a broad product and technology portfolio and offers innovative solutions for scientists and engineers in the life science industry. Life science comprises the research branches of natural and engineering sciences concerned with the structure and behavior of living organisms. The Life Science business' products and services are used in the research, development and manufacture of biotechnological and pharmaceutical drug therapies, as well as both in research and application laboratories. In addition, the Life Science business products and services also reach adjacent markets, such as food and beverage. The Life Science business was established in 2010 following the acquisition of the Millipore Corporation. It is a leading supplier of life science tools.

The majority of sales are generated by consumables. This enables the business to achieve recurring sales and stable, attractive cash flows in an industry that is characterized by stringent regulatory requirements. A highly diversified and loyal customer base additionally ensures a low risk profile. At the same time, the Life Science business benefits from its broad portfolio and its global reach. The Life Science business comprises three business areas: Bioscience, Lab Solutions and Process Solutions, as well as multiple specialized business fields. The main product groups of the Bioscience business area include tools and consumables for filtration and sample preparation, reagents and kits for cell biology experiments, as well as small tools and consumables for cell analysis. With these products, the Life Science business supports its customers in understanding complex biological systems and identifying new target molecules. The Life Science business offers complete and validated applications to make research processes faster and more efficient.

The Lab Solutions business area manufactures products for research as well as analytical and clinical laboratories in a wide variety of industries.. It is one of the leading suppliers of laboratory water equipment, laboratory chemicals and consumables. In addition, Lab Solutions develops and markets test solutions to identify microbial contamination, for example in pharmaceutical products, food or drinking water. For inorganic chemistry, Lab Solutions supplies ultrapure reagents, including salts, acids, caustic alkalis, and buffering agents. It also manufactures reference materials for instrumental analysis and products for inorganic trace analysis.

On January 27, 2015, the Lab Solutions business area announced the introduction of its AFS® 40E / 80E / 120E and 150E water purification systems.

The Process Solutions business area offers a diversity of products to pharmaceutical and biotechnology companies that enable customers to develop large- and small-molecule drugs safely, effectively and cost-efficiently.

In addition, the business area's portfolio comprises more than 400 chemicals for the synthesis of active pharmaceutical ingredients as well as drug delivery compounds. The offering in biotech production comprises products supporting cell growth and gene expression, a wide range of filtration systems, as well as salts and sugars. The single-use solutions offered by the Process Solutions business area provide increased operational flexibility to customers in the biopharmaceutical industry since they eliminate time- and cost-intensive cleaning procedures. Moreover, these single-use solutions are compatible with various products, reducing investment costs for the customer.

On February 2, 2015, the Life Science business announced an agreement for providing upstream process development services for Precision Biologics, Inc., a Texas-based clinical-stage biotechnology company.

PERFORMANCE MATERIALS

The Performance Materials business sector comprises the Group's entire specialty chemicals business. The portfolio includes high-tech performance chemicals for applications in fields such as consumer electronics, lighting, coatings, printing technology, paints, plastics, and cosmetics. The acquisition in May 2014 of AZ Electronic Materials (AZ), a leading supplier of high-tech materials for the electronics industry, has significantly strengthened Performance Materials. Performance Materials' share of Group sales was 20% in the first quarter of 2015 and its share of EBITDA pre exceptionals (excluding Corporate and Other) was 30%. The results of AZ have been included since May 2, 2014.

Since January 1, 2015, Performance Materials has been organized into the following business units: Display Materials, Pigments & Functional Materials, Integrated Circuit Materials comprising the AZ business with specialty chemicals for use in integrated circuits (semiconductors), as well as Advanced Technologies.

The Display Materials business unit, which for example also includes photoresists as a result of the integration of AZ, generated more than half of the net sales of Performance Materials in the first quarter of 2015. With a high market share, Merck KGaA, Darmstadt, Germany, has established itself as the global market and technology leader in liquid crystal mixtures. The market is highly consolidated. In addition, barriers to market entry exist due to the technological complexity of liquid crystals and the high quality requirements of customers and consumers. The seven largest LC display manufacturers are among the primary customers of the Liquid Crystals business. Merck KGaA, Darmstadt, Germany, has the broadest product offering in the industry and offers, among other things, liquid crystals based on PS-VA and IPS technologies. This enables Performance Materials to meet individual customer needs and offer solutions for all display sizes, from smartphones and tablet computers, to large-area television screens. The Group is pursuing a strategy of leveraging its expertise in liquid crystals in order to develop new fields of application for innovative liquid crystal technology. In 2014, the company acquired the remaining interest in Peer+, a Dutch specialist for smart window technology. The company has now been fully integrated. With the acquisition of its long-standing cooperation partner Peer+, the Group is further advancing the development of the future-oriented market for liquid crystal windows (LCW). The major innovation of liquid crystal windows lies in their continuously variable switching functionality from light to dark in just seconds. In the first quarter of 2015, the first LCW panels were installed in the new modular Innovation Center in Darmstadt. At the same time, the new technology was presented for the first time at BAU, the world's leading exhibition for architecture, materials and systems, to a large audience and met with a very positive response.

The Pigments & Functional Materials business unit develops and markets a comprehensive product portfolio of decorative effect pigments and functional materials. The effect pigments are primarily used in automotive and industrial coatings, plastics, printing applications, and cosmetics in order to give products a unique shine. Functional materials include laser marking, conductive additives, applications for counterfeit protection as well as high-quality cosmetic active ingredients, for example for use in skin care, sun protection or insect repellants.

Merck KGaA, Darmstadt, Germany, completed the integration of AZ and its global workforce of around 1,100 employees according to schedule by the end of 2014. As of January 1, 2015, the semiconductor materials business was transferred to the Integrated Circuit Materials (ICM) business unit. The former Optronics business (e.g. photoresists) was integrated into the Display Materials business unit. As an important partner to leading global semiconductor and electronics manufacturers, ICM achieves nearly 80% of its sales in Asia, and generated more than three-quarters of its sales with products that are the leaders in their respective markets. The products offered by the ICM business unit are used to manufacture integrated circuits, microelectronic systems, for antireflection coatings, and for the miniaturization of transistor structures. The new portfolio of the former AZ thus optimally complements the range of materials offered by Performance Materials.

The Advanced Technologies business unit invests in future-oriented research and development, supporting the growth and sustainable competitiveness of Performance Materials. The business unit also manufactures and markets materials for organic light-emitting diodes (OLEDs), which are used in new lighting applications and display technologies. The OLED materials business developed positively in the first quarter. The demand for OLED materials from the company increased significantly, particularly in Asian countries. At the same time, the customer base expanded.

OBJECTIVES AND STRATEGIES OF THE GROUP

In 2007, Merck KGaA, Darmstadt, Germany, launched a transformation process aimed at securing its future through profitable growth in highly specialized niche markets within today's Healthcare, Life Science and Performance Materials business sectors of Merck KGaA, Darmstadt, Germany.

This process started with the large-scale acquisitions of Serono SA in 2007 and the Millipore Corporation in 2010. In 2011, the company embarked on the "Fit for 2018" transformation and growth program with a new executive management team. In the first phase, the company created the foundation for profitable growth by introducing a new leadership organization and a comprehensive, Group-wide efficiency program. The second phase, which started in 2014, is aimed at successively implementing the growth options identified by establishing three strong platforms for sustainable profitable growth. **Merck KGaA, Darmstadt, Germany,** is building on its core competencies:

→ Closeness to existing businesses
→ Innovative strength
→ Customer proximity (to offer tailored solutions)
→ Focus on specialty businesses

Moreover, the company is aiming to expand its business model systematically and continuously to include new technologies and partnerships. In 2014, three important milestones were achieved in the implementation of the Group strategy:

→ Through the acquisition of AZ Electronic Materials, which was completed in May, the product base and new customer offerings were expanded by new technologies.
→ With the announcement of the planned acquisition of Sigma-Aldrich in September, the foundation was laid for enhancing the Group's position in the attractive life science industry. The aim of the planned merger is to offer customers a broader range of products and services as well as the industry's leading e-commerce platform.
→ With the November 2014 announcement of the agreement with Pfizer on a strategic alliance for anti-PD-L1, the company wants to accelerate its presence in immuno-oncology by combining the strengths and capabilities of the two companies in the highly competitive anti-PD-1/anti-PD-L1 space. Up to 20 immuno-oncology clinical development programs are planned for commencement in 2015, including up to six pivotal registration studies. The alliance also has the potential to accelerate the company's entry into the U.S. oncology market through the co-promotion of Xalkori®.

In line with its strategic agenda and focus on three growth platforms, effective January 1, 2015 the company organizationally repositioned itself. The previous four divisions have been replaced by three business sectors:

→ **Healthcare** comprises the Biopharmaceuticals, Consumer Health, Allergopharma and Biosimilars businesses.
→ **Life Science** consists of the Life Science business.
→ **Performance Materials** corresponds to the business of the same name.

The strategic transformation into a specialist for innovative high-tech solutions in Healthcare, Life Science and Performance Materials is reflected by the composition of sales. Within the Healthcare business sector of Merck KGaA, Darmstadt, Germany, the Biopharmaceuticals business today generates more than 65% – 70% of its sales with biopharmaceuticals. In 2006, there was only one such product, Erbitux®, which accounted for less than 10% of sales. The classic Chemicals business has increasingly become a premium materials business that offers Merck KGaA, Darmstadt, Germany, customers a wide range of value-adding products. Today, high-tech materials and life science tools make up around 80% of sales in the Life Science and Performance Materials business sectors of Merck KGaA, Darmstadt, Germany. In 2006, the share was around 30%.

GENERAL PRINCIPLES & GROUP STRATEGY

The year 2018 will mark the 350th anniversary of the Group. The general principles of the "Fit for 2018" transformation and growth program and the Group strategy are to serve as a compass beyond 2018 as well.

General principles

In its business endeavors, the company orients towards general principles. They help those responsible within the company to shape strategic plans and to make decisions.

The structure of Merck KGaA, Darmstadt, Germany, with members of the Merck family as personally liable partners requires the executive board of Merck KGaA, Darmstadt, Germany, whose members are also personally liable partners, to pay special attention to the long-term development of value. Therefore, sustainability plays a special role at the company. The objective is to align the long-term development of the company with the legitimate interests of shareholders, whose engagement in the Group is normally of a shorter duration. That is why the business portfolio of Merck KGaA, Darmstadt, Germany, must always be balanced so that it reflects an optimum mix of entrepreneurial opportunities and risks. The company achieves this through diversification in the Healthcare, Life Science and Performance Materials business sectors of Merck KGaA, Darmstadt, Germany, as well as through its geographic breadth with respect to growth sources.

For Merck KGaA, Darmstadt, Germany, the principle of sustainability applies not only to economic aspects. Instead, it also encompasses responsibility for society and environmental preservation. With its current and future product portfolio, the company wants to help solve global challenges and shape a sustainable future. That is also why innovation is the basis of the company's business activities; it is the prerequisite for future growth. Merck KGaA, Darmstadt, Germany, is continually working on innovative products and services for patients and customers and relies on a continual process of internal innovation throughout all areas of the company.

Group strategy

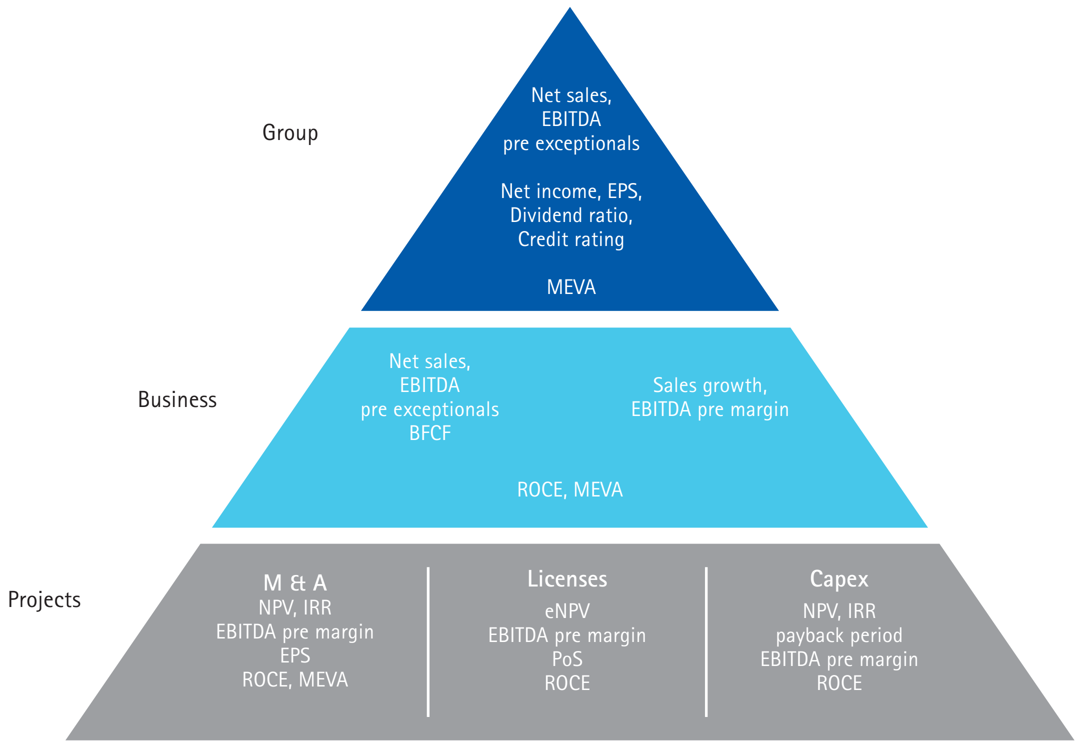
The Group focuses on innovative and top-quality high-tech products in the Healthcare, Life Science and Performance Materials business sectors of Merck KGaA, Darmstadt, Germany. The company's goal is sustainable and profitable growth. Merck KGaA, Darmstadt, Germany, intends to achieve this by growing organically and by further developing its competencies, as well as by making targeted acquisitions that complement and expand existing strengths in meaningful ways. Building on leading products in all its businesses, the company aims to generate income that is largely independent of the prevailing economic cycles. Moreover, the aim is to further expand the strong market position in emerging markets in the medium to long term. In 2014, the former Emerging Markets reporting region contributed 38% to Group sales.

INTERNAL MANAGEMENT SYSTEM OF THE GROUP

As a global company with a diverse portfolio of products and services, Merck KGaA, Darmstadt, Germany, uses a comprehensive framework of indicators to manage performance. The most important KPI (key performance indicator) to measure the performance is EBITDA pre exceptionals. Net sales as well as business free cash flow continue to rank among the most important factors for assessing operational performance.

The Value Creation and Financial KPI Pyramid, which summarizes the important financial performance measures of the Group, reflects the comprehensive framework of financial KPIs to steer the businesses and prioritize the allocation of cash resources. It consists of three managerial dimensions, which require the use of different indicators: Group, Business and Projects.

For more information on the company's internal management system, see pages 55 to 58 of the Merck KGaA, Darmstadt, Germany, Annual Report for 2014.



Abbreviations

EBITDA pre = Earnings before interest, income tax, depreciation and amortization pre exceptionals
EPS = Earnings per share
MEVA = Value added of Merck KGaA, Darmstadt, Germany
BFCF = Business free cash flow
ROCE = Return on capital employed
NPV = Net present value
IRR = Internal rate of return
eNPV = expected Net present value
PoS = Probability of success

RESEARCH & DEVELOPMENT AT THE GROUP

Merck KGaA, Darmstadt, Germany, conducts research and development worldwide in order to develop new products and services designed to improve the quality of life of patients and customers. In 2014, the company focused on further optimizing the relevance and efficiency of its research and development activities. For this purpose, the Group increased the number of new collaborations with external research and development partners.

Approximately 4,700 employees work for the company researching innovations to serve long-term health and technology trends in established and emerging markets as well as in developing countries.

The company spent around € 1.7 billion on research and development in 2014. In our research and development activities, we focus on both in-house research and external collaborations, which enable us to increase the productivity of our research while simultaneously reducing financial outlay.

HEALTHCARE

Biopharmaceuticals

Oncology

In April 2015, the safety division of the Japanese Ministry of Health, Labour and Welfare issued an official notification to update the product information of Erbitux for use in unresectable, advanced or recurrent colorectal cancer (CRC) patients with wild-type RAS tumors, in concordance with the current approval status in Europe.

Regarding abituzumab (formerly known as DI17E6), following the review of all the data from its clinical studies, the Group decided to discontinue the program in the area of oncology. The Phase I development of pimasertib in combination with Sanofi's hDM2 antagonist (SAR405838) in patients with solid tumors was also discontinued. A review of the preliminary data from this study suggested that there is too low probability for a positive risk/benefit balance to allow further development of this combination.

Tepotinib, a small molecule inhibitor of the c-Met receptor tyrosine kinase, was moved to the Phase II part of an ongoing Phase I/II trial in Asian patients with Met-positive (Met+) EGFR mutant non-small cell lung cancer (NSCLC). The study plans to randomize approximately 136 patients with Met+ tumors who have failed first-line gefitinib to tepotinib 500 mg/d plus gefitinib or cisplatin/pemetrexed. The primary endpoint is progression-free survival (PFS).

In the field of oncology diagnostics, the Biopharmaceuticals business signed an agreement with Illumina, Inc. The companies will work together to develop sequencing-based assays that detect and simultaneously measure multiple genetic variants in a single tumor sample in a clinical trial setting and also collaborate on the regulatory submission of the investigational therapy and diagnostic. In addition, the Biopharmaceuticals business and its partner Sysmex Inostics GmbH announced that the first liquid biopsy RAS biomarker testing center opened in the Vall d'Hebron Institute of Oncology in Spain. The liquid biopsy method, also known as blood-based biomarker testing, is a simplified and rapid approach for determining the RAS (KRAS and NRAS) mutation status of tumors, as it requires a single blood draw, rather than a tissue biopsy or surgical procedure. The liquid biopsy RAS biomarker test is expected to receive its European Conformity approval (CE mark) in the coming months.

Immuno-Oncology

Merck KGaA, Darmstadt, Germany, and Pfizer announced the initiation and first patient treated in the international Phase III study (JAVELIN Lung 200) designed to assess the efficacy and safety of the investigational cancer immunotherapy avelumab (MSB0010718C), compared with docetaxel, in patients with stage IIIb/IV NSCLC who have experienced disease progression after receiving a prior platinum-containing doublet therapy. This is an open-label, multicenter, randomized clinical trial where patients will receive either avelumab or docetaxel, regardless of PD-L1 status. Approximately 650 patients will participate across 290 sites in more than 30 countries in North America, South America, Asia, Africa, and Europe. The study is part of the JAVELIN clinical trial program for avelumab. The primary endpoint of the study is overall survival (OS) in patients with programmed death-ligand 1 positive (PD-L1+) NSCLC. Secondary endpoints will be assessed across the entire study population regardless of PD-L1 status and include OS, overall response rate (ORR), and PFS, and patient-reported outcomes. This is the first of several registration trials expected to start in 2015. The Phase I program currently underway for avelumab includes more than 840 patients being treated across multiple tumor types, including NSCLC, breast cancer, gastric cancer, ovarian cancer, bladder cancer, melanoma, and mesothelioma. An expansion cohort in NSCLC first-line as well as four efficacy expansion cohorts in gastric and gastro-esophageal junction cancer (third-line), ovarian cancer (second-line only), urothelial carcinoma and squamous cell carcinoma of the head & neck were recently added.

To enhance its R&D technology portfolio in immuno-oncology the Biopharmaceuticals business entered an exclusive strategic collaboration and license agreement with Intrexon Corporation to develop and commercialize Chimeric Antigen Receptor T-cell (CAR-T) cancer therapies. CAR-T cells are genetically engineered T-cells with synthetic receptors that recognize a specific antigen expressed on tumor cells. When CAR-T cells bind to a target, an immunological attack against the cancer cells is triggered. Utilizing Intrexon's cell engineering techniques and RheoSwitch® platform, the collaboration aims to develop leading-edge products that empower the immune system to overcome the current challenges of CAR-T therapy. The collaboration will focus on developing a next generation CAR-T platform to generate drug candidates.

Neglected diseases

Merck KGaA, Darmstadt, Germany, promotes a group-wide Access to Health initiative to address key unmet medical needs of neglected diseases especially in children from developing countries. This includes an R&D platform with a focus on tropical and priority communicable diseases. Connected to this the Biopharmaceuticals business announced that it obtained the rights to the investigational antimalarial compound DDD107498 from Medicines for Malaria Venture (MMV). The objective of the future clinical program is to demonstrate whether the investigational compound exerts activity on a number of malaria parasite life-cycle stages, and remains active in the body long enough to offer potential as a single-dose treatment against the most severe strains of malaria.

Consumer Health

In its Consumer Health business, the company markets over-the-counter medicines and food supplements in Europe – primarily for France, Germany, and the United Kingdom – as well as in Latin America and Southeast Asia, where sales volumes are rising. The focus of research and development activities in Consumer Health is on constantly improving tried and proven formulations consistent with the needs of consumers. Innovations by Consumer Health center on consumers and their needs. On the one hand, established products are being adapted to changing consumer needs while on the other hand, new technological innovations are being developed to satisfy entirely new needs. A good example of this is the new product Apaisyl® Nits Detect, which colors nits on the scalp with a fluorescent dye, thus making it much easier to comb them out. Since 2014 the Group has been increasingly entering into cooperation agreements with independent research institutions in order to tap into their expertise in developing new and existing products in a targeted manner. At the same time, Consumer Health is further developing its established brand-name products by making them simpler to use and by offering accompanying services.

LIFE SCIENCE

Life Science

In January 2015, the the Life Science business opened a new production site in Bangalore, India. The new facility is dedicated to the manufacturing of standard and customized hardware systems for Biopharm Process Solutions, instruments for Lab Water and BioMonitoring, as well as selected OEM products, and will serve the worldwide market, as well as specific needs and future growth in the India market.

In the first quarter of 2015, the Life Science business also announced the introduction of its AFS® 40E / 80E / 120E and 150E water purification systems. These new systems have been developed to provide clinical laboratories with an economical and reliable water purification solution for daily water volumes of up to 3,000 liters. The AFS® 40E / 80E / 120E and 150E systems rely on two powerful technologies to produce water quality meeting Clinical and Laboratory Standards Institute® (CLSI®) Clinical Laboratory Reagent Water standards. State-of-the-art, proven Elix® electrodeionization (EDI) technology ensures constant water quality with low and predictable running costs, while unique E.R.A.™ (Evolutive Reject Adjustment) technology takes feed water quality into account in order to automatically optimize water recovery — and reduce water usage costs.

Additionally, the Life Science business announced an agreement for providing upstream process development services for Precision Biologics, Inc., a Texas-based clinical-stage biotechnology company, to advance a preclinical monoclonal antibody. The antibody, NEO-201, binds to a tumor-specific antigen found in several forms of cancer, offering therapeutic potential across multiple cancer types, including colorectal, lung, ovarian, and pancreatic, an especially deadly cancer with limited treatment options.

In March 2015, the Life Science business also announced that it had been granted a United States patent in May 2014 for developing a selective membrane layering method that significantly improves the consistency of virus filtration performance. The method is used to manufacture the Life Science business' Viresolve® Pro Device, a virus filtration technology that offers highly productive parvovirus clearance for monoclonal antibodies and therapeutic proteins. As a result of selective layering, the Viresolve® Pro Device provides an industry-leading performance consistency superior to other virus filtration devices currently on the market.

PERFORMANCE MATERIALS

With its Performance Materials business sector, Merck KGaA, Darmstadt, Germany, is the undisputed market and technology leader in liquid crystals (LCs), which are primarily used in LCD televisions and in most displays of mobile communication devices. The Group is also one of the leading suppliers of decorative and functional effect pigments. High-tech materials and solutions from the Group are used by customers in the consumer electronics, lighting, coatings, printing technology, plastics applications, and cosmetics industries. With the acquisition of AZ Electronic Materials (AZ) in May 2014, Integrated Circuit Materials was integrated as a further business unit into the portfolio of Merck KGaA, Darmstadt, Germany. Integrated Circuit (IC) chemicals are used for integrated circuit manufacture. The former AZ Optronics business, including for example photoresists, was integrated into the Display Materials business unit. In all Performance Materials business units, the growth dynamics of emerging markets are of major importance.

Display Materials

In the area of LC displays (LCDs) for mobile devices, Merck KGaA, Darmstadt, Germany, has developed a new switching mode for liquid crystals, UB-FFS technology (ultra-brightness fringe field switching). The new LC switching mode has the potential to increase display light transmittance by 15%. The new technology offers many advantages: Firstly, it reduces energy consumption and thus increases the battery life of the mobile devices. Secondly, it improves mobile display quality and supports the trend towards higher resolutions. The market launch is proceeding well: The new switching mode is already used in many smartphones and tablet PCs.

The Merck KGaA, Darmstadt, Germany, "LC 2021" strategic initiative combines the company's future LC activities, with a special focus on applications beyond displays. For example, liquid crystals can regulate the light and heat transmittance of windows in building façades by quickly and efficiently switching glass between light and dark. Since the acquisition in July 2014 of the remaining interest in Peer+, a Dutch specialist for liquid crystal-based smart windows, Peer+ has now been fully integrated under the name of EMD Window Technologies. For these LC windows (LCWs), the development and production of customized liquid crystal materials are in full swing at the Group, as is the supply of first window prototypes in collaboration with partners. In the first quarter of 2015, a whole façade of LCWs was installed in the company's own Innovation Center at global headquarters in Darmstadt. The Group is already collaborating intensively with selected partners in the glass and window sector on mass production and broad-based marketing of LCWs.

OLED

Organic light-emitting diodes (OLEDs) are used in innovative lighting applications and display technologies. They provide brilliant colors and sharp images from any viewing angle; they have a long lifespan and are highly energy-efficient. In addition, OLEDs enable round or flexible displays, making them perfect for use in the latest technical applications. One such example is the smartwatch, a wristwatch that provides Internet access along with additional computer functionality.

The name of the Merck KGaA, Darmstadt, Germany, product line for these types of applications is livilux®. The company has developed a strong portfolio of worldwide patents, based on more than ten years of experience. Development partnerships with customers are a way of testing new technologies and making them market-ready. For instance, Performance Materials has co-developed in collaboration with printer manufacturer Seiko Epson a technology that can be used to print OLED displays. While the Group contributed its expertise in OLED material and ink development to the collaboration, Seiko Epson contributed its expertise in print heads featuring Micro Piezo inkjet technology as well as process expertise. The jointly developed technology offers the advantage of lower costs and higher material efficiency. In contrast to evaporated OLED displays, the materials are applied at room temperature and under normal pressure in the case of printed OLED displays. In addition, this technique only deposits material in the areas where diodes are actually located, thereby helping to conserve resources.

High-quality pigments and functional materials

The Meoxal® brand is the latest development in effect pigments. These pigments captivate with their brilliant color saturation and exceptional performance, as a result of their innovative layer technology and the use of aluminum flakes as substrate. They are highly suitable for a multitude of high-performance applications, especially for automotive and plastic coatings. The market launches of three new pigments in the Meoxal® brand family in 2014 will be followed by further launches this year.

With Xirallic® NXT, the Performance Materials business sector is launching a new patented product generation of the well-known high-tech effect pigments. These offer customers an exceptional "living-sparkle effect", high styling potential and consistent quality. The latest product of the new generation – Xirallic® NXT Leonis Gold – is a gold-colored, metallic effect pigment, which the Group has been offering since the beginning of 2015.

Besides high-quality decorative effect pigments, the Group also offers functional materials used, for example, in laser marking of plastics, conductive coatings, and heat-reflective glazing for greenhouses.

The latest developments in functional laser materials are a pigment (Iriotec® 8850) and granules (Iriotec® 8210), which react regardless of the polymer and can double the marking speeds. Thus we can significantly increase both the economic efficiency and application possibilities of lasers for plastics processing customers. In addition, the functional pigment Iriotec® 8850 for the first time offers the possibility of the laser marking of powder coatings.

Other developments include functional materials for high-voltage technology. Here we are working on fundamental knowledge in order to sustainably generate business in the area of energy management.

Through the acquisition of AZ, Merck KGaA, Darmstadt, Germany, has been able to integrate a new technology platform with organic and inorganic polysilazanes. These polymers function as additives in coating systems that are used to protect a diversity of surfaces against, for example, corrosion, weathering, scratches, and dirt.

Integrated Circuit Materials

The IC Materials business unit supplies products for integrated circuit manufacture. Among the products offered here are antireflective coatings, which are applied to photoresists and can prevent interference effects upon their exposure. This technology uses highly fluorinated materials in order to achieve the low refractive index necessary for antireflection. Here, in anticipation of the restrictions currently being considered for environmentally hazardous fluorochemicals, Merck KGaA, Darmstadt, Germany, has developed replacement substances, which do not pose any comparable environmental risk, but with equal or even improved performance. These new product lines will replace former products step by step.

In Directed Self Assembly (DSA), there is a continuing trend that all leading chip manufacturers regard this as a revolutionary technology and are intensively working on it. In DSA, the information for the smallest structures is already contained in the chemical make-up of the coating material. Researchers of the Group are collaborating with their customers on introducing DSA as a standard IC manufacturing method in the coming years.

The Group's SPINFIL™ product range is based on inorganic polymer perhydropolysilazane, which is used as a precursor for silicon dioxide isolation layers in chip manufacture. With this product, the company is leading in spin-on dielectrics (SODs). The newly launched SPINFIL™ 700 product line is aimed at critical SOD applications with the highest quality requirements. SPINFIL™ 700 is already qualified by customers and will soon go into production.

COURSE OF BUSINESS AND ECONOMIC POSITION
GROUP

OVERVIEW OF Q1 2015

- → Strong increase in net sales to € 3,041 million driven by positive currency effects, the consolidation of AZ Electronic Materials, as well as slight organic growth
- → Rebif® sales decline as competition intensifies
- → EBITDA pre exceptionals up 5.7% to € 853 million
- → Net financial debt further reduced to € 78 million
- → Earnings per share pre exceptionals decline slightly to €1.12, especially due to Sigma-Aldrich financing measures

GROUP →
KEY FIGURES

€ million	Q1 – 2015	Q1 – 2014	Change in %
Net sales[1]	3,041.2	2,628.2	15.7
Operating result (EBIT)	480.0	468.3	2.5
Margin (% of net sales)[1]	15.8	17.8	
EBITDA	805.4	770.2	4.6
Margin (% of net sales)[1]	26.5	29.3	
EBITDA pre exceptionals	853.0	807.1	5.7
Margin (% of net sales)[1]	28.0	30.7	
Earnings per share (€)[2]	0.65	0.75	–13.3
Earnings per share pre exceptionals (€)[2]	1.12	1.15	–2.6
Business free cash flow	360.5	684.1	–47.3

[1] The composition of net sales has changed, see “Accounting Policies” in the Notes to the interim Group accounts.
[2] Taking into account the share split; previous year’s figures have been adjusted accordingly. See “Earnings per share” in the Notes to the interim Group accounts.

Development of net sales and results of operations

In the first quarter of 2015, net sales of the Group increased by 15.7% to € 3,041 million (Q1 2014: € 2,628 million). This very strong sales growth was driven both by foreign exchange effects and portfolio changes. Organic growth amounted to 1.3% in the first quarter of 2015. Positive foreign exchange effects amounted to 8.9% and were mainly attributable to the U.S. dollar, as well as some Asian currencies. Acquisitions/divestments increased sales overall by 5.5% or € 144 million. The first-time consolidation of AZ Electronic Materials within Performance Materials as of May 2, 2014 made a positive contribution of € 149 million to Group sales in the first quarter of 2015. Owing to the divestment of the Discovery and Development Solutions business field in the Life Science business sector of Merck KGaA, Darmstadt, Germany, as of March 31, 2014, net sales declined by € 5 million compared with the year-earlier quarter.

GROUP →

NET SALES COMPONENTS BY BUSINESS SECTOR – Q1 2015

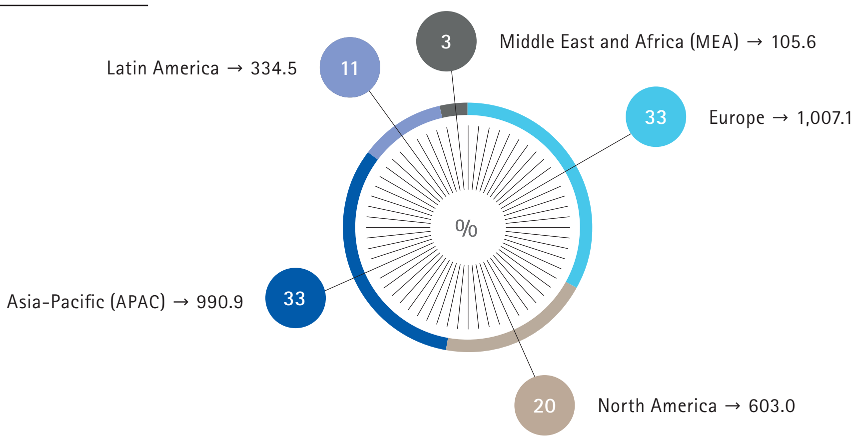
€ million / Change in %	Net sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Healthcare	1,686.2	0.3	7.1	–	7.4
Life Science	738.0	3.4	9.8	-0.8	12.4
Performance Materials	617.0	1.6	14.8	37.0	53.4
Group	**3,041.2**	**1.3**	**8.9**	**5.5**	**15.7**

All the business sectors of the Group recorded sales increases in the first quarter of 2015. Performance Materials showed particularly strong growth, with net sales rising by € 215 million to € 617 million (Q1 2014: € 402 million). The other two business sectors Healthcare and Life Science also achieved absolute increases of € 117 million to € 1,686 million (Q1 2014: € 1,569 million) and € 81 million to € 738 million (Q1 2014: € 657 million) respectively.

GROUP →

NET SALES BY REGION – Q1 2015

€ million / % of net sales



Europe, which accounted for around one-third of Group sales with € 1,007 million (Q1 2014: € 1,025 million), remained the largest region by sales, although overall a slight decrease of –1.8% was recorded in comparison with the previous year.

In the first quarter of 2015, the strongest sales growth was achieved by the Asia-Pacific region. Driven by positive foreign exchange effects as well as acquisition-related effects, sales in this region rose by 35.5% or € 260 million to € 991 million (Q1 2014: € 731 million). All business sectors contributed to organic growth of 5.2% in this region, with Healthcare showing particularly strong organic growth rates. The contribution to Group sales by the Asia-Pacific region rose by 5 percentage points to 33% (Q1 2014: 28%).

Net sales in North America amounted to € 603 million (Q1 2014: € 507 million) and thus rose by 18.9% or € 96 million compared with the year-earlier quarter. This was mainly due to currency effects caused by the strong U.S. dollar, while the organic decline in sales and acquisition-related growth roughly offset each other. The contribution to Group sales by North America in the first quarter of 2015 was 20%, representing an increase of one percentage point.

The Latin America region generated € 335 million (Q1 2014: € 257 million) or 11% (Q1 2014: 10%) of Group net sales. The strong increase in sales was mainly attributable to the organic growth of the Healthcare business sector of Merck KGaA, Darmstadt, Germany.

Net sales in the Middle East and Africa region declined slightly in the first quarter of 2015, amounting to € 106 million (Q1 2014: € 107 million). The –5.5% organic decline in sales was largely offset by positive currency effects and acquisition-related changes. This region's share of Group sales declined to 3% (Q1 2014: 4%).

GROUP →

NET SALES COMPONENTS BY REGION – Q1 2015

€ million / Change in %	Net sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Europe	1,007.1	-3.0	0.3	0.9	-1.8
North America	603.0	-3.5	18.7	3.6	18.9
Asia-Pacific (APAC)	990.9	5.2	14.7	15.7	35.5
Latin America	334.5	19.9	10.1	0.1	30.1
Middle East and Africa (MEA)	105.6	-5.5	3.4	0.5	-1.6
Group	**3,041.2**	**1.3**	**8.9**	**5.5**	**15.7**

The consolidated income statement of the Group is as follows:

GROUP →
CONSOLIDATED INCOME STATEMENT[1]

€ million	Q1 – 2015	Q1 – 2014	Change in %
Net sales	**3,041.2**	**2,628.2**	**15.7**
Cost of sales	–973.2	–748.5	30.0
(of which: amortization of intangible assets)	*(–41.1)*	*(–12.0)*	*(–)*
Gross profit	**2,068.0**	**1,879.6**	**10.0**
Marketing and selling expenses	–939.7	–855.5	9.8
(of which: amortization of intangible assets)	*(–178.0)*	*(–183.4)*	*(–2.9)*
Administration expenses	–172.0	–132.3	30.0
Research and development costs	–441.3	–379.6	16.3
(of which: amortization of intangible assets)	*(–0.7)*	*(–0.7)*	*(–7.2)*
Other operating expenses and income	–35.1	–44.0	–20.2
Operating result (EBIT)	**480.0**	**468.3**	**2.5**
Financial result	–100.6	–34.7	189.6
Profit before income tax	**379.4**	**433.6**	**–12.5**
Income tax	–94.1	–106.1	–11.4
Profit after tax	**285.3**	**327.4**	**–12.9**
Non-controlling interests	–3.6	–2.2	61.3
Net income	**281.7**	**325.2**	**–13.4**

[1] The reporting structure has changed, see "Accounting Policies" in the Notes to the interim Group accounts.

Taking into account cost of sales, which increased by 30.0% to € 973 million in the first quarter of 2015 (Q1 2014: € 749 million), the Group recorded gross profit of € 2,068 million (Q1 2014: € 1,880 million). The increase in cost of sales was due, among other things, to the consolidation of AZ Electronic Materials (AZ), foreign exchange effects, as well as the organic sales growth of the business sectors. Gross margin, meaning gross profit as a percentage of net sales, declined to 68.0% in the first quarter of 2015 (Q1 2014: 71.5%).

Similar to cost of sales, foreign currency changes as well effects stemming from the consolidation of AZ also led to an increase in other functional costs (marketing and selling expenses, administration expenses, and research and development costs). Moreover, the increase in research and development costs was mainly attributable to the intensification of research and development in Healthcare. This business sector accounted for 78.9% of Group research and development costs in the first quarter of 2015. The Group research spending ratio (research and development costs as a percentage of net sales) rose slightly to 14.5% (Q1 2014: 14.4%).

Other operating expenses and income (net) included income in connection with the alliance entered into with Pfizer in 2014 to co-develop and co-commercialize active ingredients in immuno-oncology. This relates to the pro rata recognition of deferred income from the upfront payment as well as the value of the right to co-promote Xalkori®.

Owing to the good performance of the share price of Merck KGaA, Darmstadt, Germany, compared with the DAX®, expenses from additions to provisions within the scope of the Long-Term Incentive Plan (LTIP) of Merck KGaA, Darmstadt, Germany, were higher in the first quarter of 2015 than in the year-earlier quarter. The intrinsic value of the Share Units of Merck KGaA, Darmstadt, Germany, (MSUs) was recognized under the respective functional costs in the income statement depending on the field of activity of the eligible participants. MSUs are virtual Group shares that eligible executives and employees could receive at the end of a three-year performance period within the scope of the LTIP.

As a result of the development of income and expenses, the operating result (EBIT) of the Group increased by 2.5% to € 480 million.

The negative financial result rose by € –66 million to € –101 million in the first quarter of 2015 (Q1 2014: € –35 million). This was due both to a negative measurement effect from taking into account the time value of MSUs and to higher interest expenses in connection with the measures to finance the planned Sigma-Aldrich acquisition.

Income tax expenses of € 94 million (Q1 2014: € 106 million) led to a tax ratio of 24.8% (Q1 2014: 24.5%).

Net income, i.e. profit after tax attributable to shareholders of Merck KGaA, Darmstadt, Germany, declined by –13.4% to € 282 million in the first quarter of 2015 compared with the previous year (Q1 2014: € 325 million), yielding earnings per share of € 0.65 (Q1 2014: € 0.75).

GROUP →

RECONCILIATION OF EBIT TO EBITDA PRE EXCEPTIONALS

€ million	Q1 – 2015	Q1 – 2014	Change in %
Operating result (EBIT)	480.0	468.3	2.5
Depreciation/amortization/impairment losses/reversals of impairment losses	325.5	301.9	7.8
(of which: exceptionals)	*(–)*	*(1.3)*	*(–)*
EBITDA	805.4	770.2	4.6
Restructuring costs	19.2	15.1	27.4
Integration costs/IT costs	10.3	14.4	–28.7
Gains/losses on the divestment of businesses	–	4.1	–
Acquisition-related exceptionals	14.1	1.0	–
Other exceptionals	4.0	2.3	73.1
EBITDA pre exceptionals	853.0	807.1	5.7

After adjusting for depreciation, amortization and exceptionals, EBITDA pre exceptionals, the key financial indicator used to steer operating business, rose by 5.7% to € 853 million (Q1 2014: € 807 million), resulting in an EBITDA margin pre exceptionals of 28.0% relative to sales (Q1 2014: 30.7%). Taking into account the share split, earnings per share pre exceptionals (earnings per share adjusted by net of tax effect of exceptionals and amortization of purchased intangible assets) amounted to € 1.12 in the first quarter of 2015 (Q1 2014: € 1.15).

Net assets and financial position

GROUP →
BALANCE SHEET STRUCTURE[1]

	March 31, 2015		Dec. 31, 2014		Change	
	€ million	in %	€ million	in %	€ million	in %
Non-current assets	**16,082.2**	**52.3**	**15,529.7**	**59.7**	**552.5**	**3.6**
of which:						
Intangible assets	11,733.0		11,395.5		337.5	
Property, plant and equipment	3,067.8		2,990.4		77.4	
Other non-current assets	1,281.3		1,143.8		137.5	
Current assets	**14,679.6**	**47.7**	**10,480.4**	**40.3**	**4,199.2**	**40.1**
of which:						
Inventories	1,814.9		1,659.7		155.3	
Trade accounts receivable	2,482.3		2,219.5		262.8	
Current financial assets	1,896.8		2,199.4		–302.6	
Other current assets	2,542.6		1,523.3		1,019.3	
Cash and cash equivalents	5,943.0		2,878.5		3,064.5	
Total assets	**30,761.8**	**100.0**	**26,010.1**	**100.0**	**4,751.7**	**18.3**
Equity	**13,824.2**	**44.9**	**11,801.0**	**45.4**	**2,023.2**	**17.1**
Non-current liabilities	**11,624.1**	**37.8**	**7,607.7**	**29.2**	**4,016.4**	**52.8**
of which:						
Provisions for pensions and other post-employment benefits	2,144.4		1,820.1		324.3	
Non-current provisions	711.4		626.1		85.3	
Non-current financial liabilities	7,228.8		3,561.1		3,667.7	
Other non-current liabilities	1,539.6		1,600.5		–60.9	
Current liabilities	**5,313.6**	**17.3**	**6,601.4**	**25.4**	**–1,287.8**	**–19.5**
of which:						
Current provisions	572.9		561.7		11.2	
Current financial liabilities	689.5		2,075.9		–1,386.4	
Trade accounts payable	1,609.7		1,539.4		70.3	
Other current liabilities	2,441.5		2,424.4		–17.1	
Total liabilities and equity	**30,761.8**	**100.0**	**26,010.1**	**100.0**	4,751.7	**18.3**

[1] The structure of the balance sheet has changed, see "Accounting polices" in the Notes to the interim Group accounts.

The total assets of the Group amounted to € 30,762 million as of March 31, 2015. This represents an increase of € 4,752 million or 18.3% over December 31, 2014 (€ 26,010 million). The main reasons for this sharp increase included the financing measures conducted for the planned acquisition of Sigma-Aldrich: The March 2015 placement of a U.S. bond with a volume of US$ 4.0 billion led to cash inflows of around € 3.7 billion as well as an increase in non-current financial liabilities in the first quarter of 2015. Owing to the appreciation of the U.S. dollar, the currency hedging transactions completed for the expected purchase price payment for the planned acquisition of Sigma-Aldrich resulted in sharply higher positive market values. These were reported as of March 31, 2015 under other current assets and increased equity without affecting profit or loss.

The weaker euro led to positive foreign exchange effects, which increased total assets by around € 1.5 billion as of March 31, 2015.

The decline in current financial liabilities was primarily related to the repayment in March 2015 of a bond issued by Merck Financial Services GmbH, a subsidiary of Merck KGaA, Darmstadt, Germany, with a nominal volume of € 1,350 million. This led to a corresponding decrease in total assets.

The increase in pension provisions resulted largely from the required reduction in the discount rate when calculating the present value of the defined benefit obligations. The resulting actuarial losses were disclosed in the Consolidated Statement of Comprehensive Income.

The increase in working capital of the Group to € 2,700 million (December 31, 2014: € 2,356 million) resulted largely from positive foreign exchange effects.

Net financial debt decreased further in the first quarter of 2015 and amounted to € 78 million (December 31, 2014: € 559 million) as of March 31, 2015.

Equity increased by € 2,023 million to € 13,824 million (December 31, 2014: € 11,801 million). This strong increase of 17.1% was mainly driven by total comprehensive income generated in the first quarter of 2015 (see the “Consolidated Statement of Comprehensive Income” in the Consolidated Financial Statements). The equity ratio as of March 31, 2015 was 44.9%, (December 31, 2014: 45.4%), thus remaining at a very good level.

The free cash flow of the Group declined to € 219 million in the first quarter of 2015 (Q1 2014: € 344 million). The composition and the development of the relevant items are presented in the following table:

GROUP →

FREE CASH FLOW

€ million	Q1 – 2015	Q1 – 2014	Change in %
Cash flow from operating activities according to the cash flow statement	278.6	408.7	–31.8
Payments for investments in intangible assets	–3.9	–7.9	–49.9
Payments from the disposal of intangible assets	16.3	–	–
Payments for investments in property, plant and equipment	–74.5	–57.4	29.9
Payments from the disposal of property, plant and equipment	2.1	6.8	158.3
Free cash flow	**218.6**	**344.2**	**–36.5**

Business free cash flow of the Group was € 361 million in the first quarter of 2015 (Q1 2014: € 684 million). This represented a decline of € –323 million or –47.3%. This decrease was primarily attributable to the increase in receivables as well as inventories, which however was mainly caused by foreign exchange effects. In addition, higher investments in property, plant and equipment in the first quarter of 2015 led to an increase in cash outflows. The higher level of EBITDA pre exceptionals could only offset this effect slightly.

GROUP →
BUSINESS FREE CASH FLOW

€ million	Q1 – 2015	Q1 – 2014	Change in %
EBITDA pre exceptionals	853.0	807.1	5.7
Investments in property, plant and equipment, software as well as advance payments for intangible assets	–78.4	–62.8	24.9
Changes in inventories according to the balance sheet	–155.3	–37.4	–
Changes in trade accounts receivable and receivables from royalties and licenses according to the balance sheet	–258.8	–22.7	–
Business free cash flow	**360.5**	**684.1**	**–47.3**

HEALTHCARE

HEALTHCARE →

KEY FIGURES

€ million	Q1 – 2015	Q1 – 2014	Change in %
Net sales[1]	1,686.2	1,569.3	7.4
Operating result (EBIT)	268.4	272.6	–1.5
Margin (% of net sales)[1]	15.9	17.4	
EBITDA	449.4	467.1	–3.8
Margin (% of net sales)[1]	26.7	29.8	
EBITDA pre exceptionals	461.0	479.3	–3.8
Margin (% of net sales)[1]	27.3	30.5	
Business free cash flow	255.6	496.1	–48.5

[1] The composition of net sales has changed, see “Segment Reporting” in the Notes to the interim Group accounts.

Development of net sales and results of operations

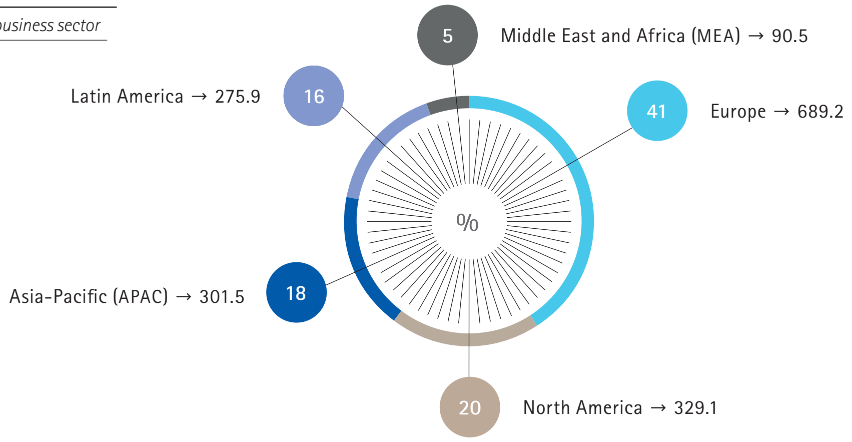
In the first quarter of 2015, the Healthcare business sector of Merck KGaA, Darmstadt, Germany, generated organic sales growth of 0.3%. Taking positive exchange rate effects of 7.1% into account, net sales rose overall by 7.4% to € 1,686 million (Q1 2014: € 1,569 million). Nearly all the franchises contributed to the business sector’s organic growth. In the first quarter of 2015, the increase in organic sales was driven in particular by products to treat diabetes (Glucophage®), cardiovascular diseases (Concor®) and infertility, as well as by the brand Neurobion®, which is marketed by the Consumer Health business.

Commission income, which is also included in net sales, rose to € 22 million in the first quarter of 2015 (Q1 2014: € 14 million). The agreement reached with Bristol-Myers Squibb in 2013 on the co-promotion of Glucophage® in China had a positive effect on commission income.

HEALTHCARE →

NET SALES BY REGION – Q1 2015

€ million / % of net sales of the business sector



In Europe, the business sector's largest region accounting for 41% of net sales, sales declined organically by –3.1%. Consequently, net sales totaled € 689 million (Q1 2014: € 711 million). This was especially attributable to the difficult competitive environment for the multiple sclerosis drug Rebif®.

In the second-largest region in terms of sales, North America, sales amounted to € 329 million (Q1 2014: € 316 million) due to an organic sales decline of –12.8%, offset by positive foreign exchange effects of 17.0%. Net sales of Rebif®, which amounted to € 241 million (Q1 2014: € 242 million), contributed significantly to sales in this region. North America's contribution to the business sector's net sales remained unchanged at 20%.

In the Asia-Pacific region, organic sales growth of 10.6% was recorded in the first quarter of 2015. Including positive foreign exchange effects of 13.4%, sales thus rose to € 302 million (Q1 2014: € 243 million). Organic growth was driven by the Fertility franchise with Gonal-f®. This region's share of the business sector's net sales increased from 16% in the year-earlier quarter to 18% in the first quarter of 2015.

At 23.0%, Latin America posted the highest organic growth within the Healthcare business sector of Merck KGaA, Darmstadt, Germany. Including positive currency effects of 11.0%, net sales amounted to € 276 million in the first quarter of 2015 (Q1 2014: € 206 million). The strong increase in organic growth was mainly attributable to the development of the Cardio Metabolic Care and Endocrinology franchises.

With net sales of € 90 million (Q1 2014: € 93 million), the region Middle East and Africa recorded an organic sales decline of –6.1%, which was partly offset by positive foreign exchange effects of 3.3%. The business with products to treat cardiovascular diseases accounted for the largest proportion of net sales in this region.

HEALTHCARE →

NET SALES COMPONENTS BY REGION – Q1 2015

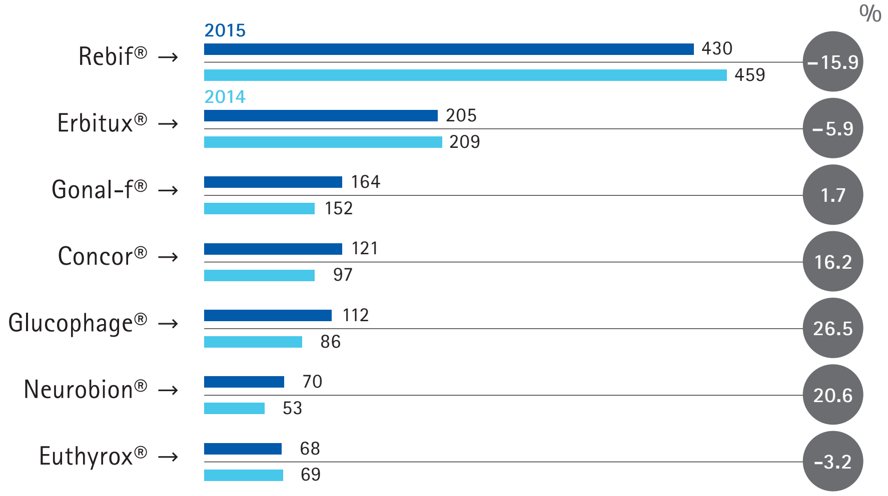
€ million / Change in %	Net sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Europe	689.2	–3.1	–0.1	–	–3.1
North America	329.1	–12.8	17.0	–	4.1
Asia-Pacific (APAC)	301.5	10.6	13.4	–	24.1
Latin America	275.9	23.0	11.0	–	34.1
Middle East and Africa (MEA)	90.5	–6.1	3.3	–	–2.8
Healthcare	**1,686.2**	**0.3**	**7.1**	**–**	**7.4**

Sales and the organic growth rates of the key products developed as follows:

HEALTHCARE →

PRODUCT SALES AND ORGANIC GROWTH – Q1 2015

€ million / Organic growth in %



Rebif®, which is used to treat relapsing forms of multiple sclerosis, posted an organic sales decline of –15.9% in the first quarter of 2015 due to increasing competitive pressure from oral formulations. Amid positive currency effects of 9.5%, Rebif® sales amounted to € 430 million (Q1 2014: € 459 million). In North America, which generated 56% of Rebif® sales (Q1 2014: 53%) and is the largest market for this product, sales remained stable at € 241 million (Q1 2014: € 242 million). Organically, sales declined by –16.7% compared with the year-earlier quarter, in which a one-time effect of restocking by pharmaceutical wholesalers was observed. This had a positive impact on the first quarter of 2014.

In Europe, which accounts for 36% of sales (Q1 2014: 40%) and is the second-largest region for the product, sales of Rebif® declined organically by –15.7% to € 156 million due to competition (Q1 2014: € 183 million). Together, the three other regions, namely Latin America, Middle East and Africa, and Asia-Pacific, accounted for only 8% of sales.

Including positive foreign exchange effects of 4.1%, which were primarily attributable to various Asian currencies, for example the Japanese yen, the oncology drug Erbitux® generated sales of € 205 million (Q1 2014: € 209 million). With the exception of the Asia-Pacific region, organic sales declines were registered in all other regions in which the Group holds the marketing rights. In Europe, which accounted for 58% (Q1 2014: 59%) of Erbitux® sales and is thus the top-selling region for this product, sales declined organically by –4.1%. Including positive foreign exchange effects, (1.3%), sales amounted to € 120 million (Q1 2014: € 123 million). In particular, demand for Erbitux® developed positively in the United Kingdom. At 4.6%, the Asia-Pacific region generated the strongest organic growth, delivering sales of € 62 million for the oncology drug (Q1 2014: € 53 million). This region's contribution to total Erbitux® sales thus increased to 30% (Q1 2014: 26%).

In the two other regions Latin America and Middle East and Africa, which together contributed 12% to net sales, Erbitux® sales declined to € 24 million (Q1 2014: € 33 million) since positive exchange rate effects did not suffice to offset the organic sales decline. The sharp decline was partly due to inventory reductions in several growth markets.

HEALTHCARE →

PRODUCT SALES AND ORGANIC GROWTH OF REBIF® AND ERBITUX® BY REGION – Q1 2015

		Total	Europe	North America	Asia-Pacific (APAC)	Latin America	Middle East and Africa (MEA)
Rebif®	€ million	429.8	156.1	241.4	4.1	14.6	13.6
	Organic growth in %	–15.9	–15.7	–16.7	–14.5	3.4	–21.3
	% of sales	100	36	56	1	4	3
Erbitux®	€ million	205.3	119.6	–	61.5	15.9	8.2
	Organic growth in %	–5.9	–4.1	–	4.6	–35.7	–16.0
	% of sales	100	58	–	30	8	4

Following a very strong year-earlier quarter (Q1 2014: +11%), the business sector achieved slight organic sales growth of 1.7% with the fertility drug Gonal-f® in the first quarter of 2015. Including positive foreign exchange effects, sales rose to € 164 million (Q1 2014: € 152 million). Net sales of this medicine showed the strongest growth in the Asia-Pacific region.

At € 109 million, sales by the Endocrinology franchise, which mainly consists of products to treat metabolic and growth disorders, considerably exceeded the year-earlier figure (Q1 2014: € 88 million). Apart from positive currency effects of 10.7%, this was attributable to organic growth of 12.9%. Net sales of the growth hormone Saizen®, the top-selling product of this franchise, saw an organic sales increase of 10.4%, as well as positive exchange rate effects of 8.3%. Consequently, sales totaled € 64 million (Q1 2014: € 54 million).

The General Medicine franchise (including CardioMetabolic Care), which commercializes products to treat cardiovascular diseases and diabetes, among others, generated organic sales growth of 9.7%. Including positive foreign exchange effects, sales amounted to € 442 million (Q1 2014: € 381 million).

In particular, organic sales growth of the beta-blocker Concor® developed well, with sales increasing to € 121 million in the first quarter of 2015 (Q1 2014: € 97 million). Organic sales growth amounted to 16.2%. Glucophage®, which is used for the treatment of diabetes, delivered an organic sales increase of 26.5%. Including positive foreign exchange effects, net sales climbed to € 112 million (Q1 2014: € 86 million). Organic sales growth was largely generated both in Europe, where supply difficulties were faced in the year-earlier quarter, as well as in Latin America.

In the first quarter of 2015, the Consumer Health business achieved a favorable organic increase of 13.0% in sales of over-the-counter pharmaceuticals. Including a positive foreign exchange effect of 7.3%, net sales amounted to € 217 million (Q1 2014: € 180 million). Accounting for a total of 86%, the regions Latin America and Asia-Pacific were the main drivers of sales growth. Organic sales growth was achieved primarily with the strategic brands Neurobion® and Dolo-Neurobion®. In addition, a very pronounced cold epidemic in Europe had a positive impact on sales in the first quarter of 2015.

The business sector's results of operations developed as follows:

HEALTHCARE →
RESULTS OF OPERATIONS[1]

€ million	Q1 – 2015	Q1 – 2014	Change in %
Net sales	**1,686.2**	**1,569.3**	**7.4**
Cost of sales	–371.7	–314.0	18.4
(of which: amortization of intangible assets)	*(–0.2)*	*(–)*	*(–)*
Gross profit	**1,314.4**	**1,255.4**	**4.7**
Marketing and selling expenses	–659.9	–608.8	8.4
(of which: amortization of intangible assets)	*(–133.6)*	*(–143.3)*	*(–6.8)*
Administration costs	–66.3	–58.5	13.3
Research and development costs	–348.3	–303.1	14.9
(of which: amortization of intangible assets)	*(–0.4)*	*(–)*	*(–)*
Other operating expenses and income	28.5	–12.4	–
Operating result (EBIT)	**268.4**	**272.6**	**–1.5**
Depreciation/amortization/impairment losses/reversals of impairment losses	181.0	194.5	–6.9
(of which: exceptionals)	*(–)*	*(1.3)*	*(–)*
EBITDA	**449.4**	**467.1**	**–3.8**
Restructuring costs	11.5	11.7	–1.8
Integration costs/IT costs	0.1	0.6	–74.0
Gains/losses on the divestment of businesses	–	–	–
Acquisition-related exceptionals	–	–	–
Other exceptionals	–	–	–
EBITDA pre exceptionals	**461.0**	**479.3**	**–3.8**

[1] The reporting structure has changed, see "Segment Reporting" in the Notes to the interim Group accounts.

Taking into account the development of net sales as well as cost of sales, the gross profit of the Healthcare business sector of Merck KGaA, Darmstadt, Germany, grew by 4.7% or € 59 million to € 1,314 million. Positive exchange rate effects on net sales were largely responsible for this increase.

However, gross margin or gross profit as a percentage of sales, declined by two percentage points to 78.0% (Q1 2014: 80.0%) since in percentage terms, cost of sales rose more sharply than net sales.

The business sector registered not only higher marketing and selling expenses, among other things due to foreign exchange effects and investments in growth markets, but also higher R&D costs. The business sector's research spending ratio thus increased in the first quarter of 2015 to 20.7% (Q1 2014: 19.3%) owing to the alliance entered into with Pfizer at the end of 2014 to co-develop and co-promote anti-PD-L1.

The strong, positive development of other operating expenses (net) was driven, among other things, by income from the Pfizer alliance and from the disposal of intangible assets. Higher litigation expenses were thus more than offset, leading to net operating income of € 29 million (Q1 2014: net operating expense of € –12 million).

After eliminating depreciation and amortization, and adjusted for exceptionals, EBITDA pre exceptionals declined by –3.8% to € 461 million and the EBITDA margin pre exceptionals was 27.3% (Q1 2014: 30.5%)

Development of business free cash flow

Business free cash flow declined sharply in the first quarter of 2015 by € –241 million to € 256 million (Q1 2014: € 496 million). The change in receivables had the strongest impact on this key performance indicator. Whereas in the year-earlier quarter, cash generated by the decline in trade accounts receivable amounted to € 62 million, in the first quarter of 2015, cash used owing to the increase in receivables was € 130 million.

HEALTHCARE →
BUSINESS FREE CASH FLOW

€ million	Q1 – 2015	Q1 – 2014	Change in %
EBITDA pre exceptionals	461.0	479.3	–3.8
Investments in property, plant and equipment, software as well as advance payments for intangible assets	–29.3	–27.9	5.2
Changes in inventories	–46.0	–17.0	171.1
Changes in trade accounts receivable as well as receivables from royalties and licenses	–130.1	61.7	–
Business free cash flow	**255.6**	**496.1**	**–48.5**

LIFE SCIENCE

LIFE SCIENCE →
KEY FIGURES

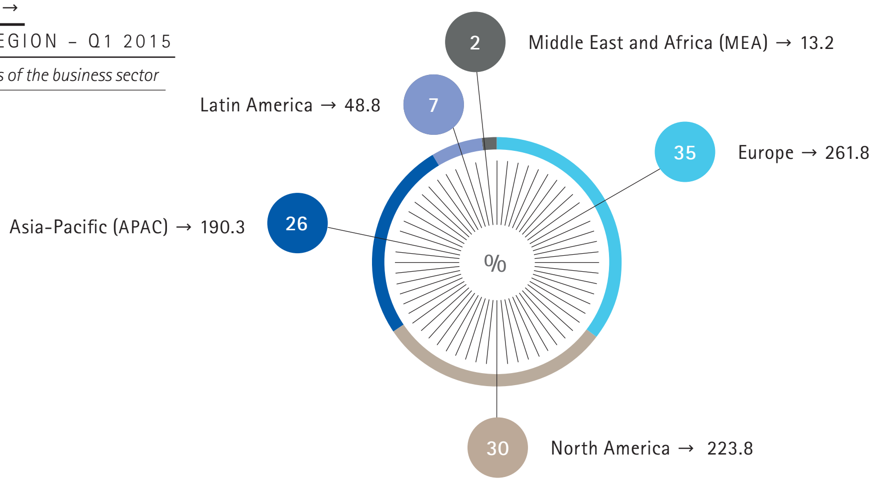
€ million	Q1 – 2015	Q1 – 2014	Change in %
Net sales[1]	738.0	656.6	12.4
Operating result (EBIT)	82.7	87.0	–4.9
Margin (% of net sales)[1]	11.2	13.3	
EBITDA	163.9	163.7	0.1
Margin (% of net sales)[1]	22.2	24.9	
EBITDA pre exceptionals	184.1	169.7	8.5
Margin (% of net sales)[1]	25.0	25.8	
Business free cash flow	22.8	54.4	–58.1

[1] The composition of net sales has changed, see "Segment Reporting" in the Notes to the interim Group accounts.

Development of sales and results of operations

In the first quarter of 2015, the Life Science business sector of Merck KGaA, Darmstadt, Germany, posted moderate organic sales growth of 3.4%, which was mainly driven by the positive business development of Process Solutions, especially in single-use, purification and virus removal products. In addition, sales growth was supported by strong, positive foreign exchange effects of 9.8% while the divestment of the Discovery and Development Solutions business field as of March 31, 2014 reduced net sales by –0.8%. Taking these effects into account, Life Science sales increased overall by 12.4% to € 738 million (Q1 2014: 657 million).

LIFE SCIENCE →
NET SALES BY REGION – Q1 2015
€ million / % of net sales of the business sector



From a regional perspective, net sales developed unevenly in the first quarter of 2015.

In Europe, the business sector's largest market accounting for 35% of its sales (Q1 2014: 40%), sales declined organically by –2.4% owing to soft demand across all businesses and countries as well as a relatively strong prior-year quarter in Process Solutions and Lab Solutions.

In North America, Life Science reported double-digit organic growth of 12.7% driven by Process Solutions and Lab Solutions. While the Bioscience business area managed to achieve organic sales growth partially due to a weak prior-year quarter, it continues to face challenges in the region. Overall, North America sales increased to € 224 million (Q1 2014: € 170 million), contributing 30% (Q1 2014: 26%) to Life Science's net sales in the first quarter of 2015.

In Asia-Pacific, sales showed slight organic growth of 2.1%. Strong sales growth in China and South Korea was somewhat offset by sluggish demand in Japan. Positive foreign exchange effects increased sales by 12.4%. Overall, Asia-Pacific sales increased to € 190 million (Q1 2014: € 166 million), contributing 26% (Q1 2014: 25%) to Life Science's net sales in the first quarter of 2015.

In Latin America, Life Science sales grew organically by 7.3%, mainly driven by Lab Water, Advanced Analytics and BioMonitoring products. This strong organic growth was reinforced by positive currency tailwinds of 6.8%, which led to sales for the region of € 49 million (Q1 2014: € 43 million).

In the region Middle East and Africa, Life Science reported moderate organic sales growth of 3.3% and favorable foreign currency effects of 4.0%. Sales in the region totaled € 13 million (Q1 2014: € 12 million).

LIFE SCIENCE →

NET SALES COMPONENTS BY REGION – Q1 2015

€ million / Change in %	Net sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Europe	261.8	–2.4	1.4	–0.3	–1.4
North America	223.8	12.7	21.6	–2.3	31.9
Asia-Pacific (APAC)	190.3	2.1	12.4	–0.1	14.4
Latin America	48.8	7.3	6.8	–	14.1
Middle East and Africa (MEA)	13.2	3.3	4.0	–0.2	7.1
Life Science	**738.0**	**3.4**	**9.8**	**–0.8**	**12.4**

The two top-selling business areas, Process Solutions and Lab Solutions, were the main drivers of Life Science's organic sales growth in the first quarter of 2015.

The Process Solutions business area, which markets products and services for the pharmaceutical production value chain, generated organic sales growth of 5.4%. Taking positive foreign exchange effects of 10.5% and the Drug Discovery Service divestment (-1.7%) into account, the business area reported sales of € 342 million (Q1 2014: € 300 million). Process Solutions thus generated 46% of the business sector's net sales. The increase in sales was driven by higher demand from the pharmaceutical industry for products used in biopharmaceutical manufacturing, e.g. for filtration systems in North America and single-use solutions.

With its broad range of products for researchers and scientific laboratories, Lab Solutions accounted for 39% of net sales and generated organic growth of 2.2%. Including currency tailwinds of 8.4%, sales amounted to € 286 million (Q1 2014: € 259 million). Organic growth was especially driven by demand for Lab Water instruments as well as for BioMonitoring products.

The Bioscience business area, which primarily markets products and services for academic and pharmaceutical research laboratories, recorded organic sales growth of 0.5%. Including positive foreign exchange effects of 11.4%, sales amounted to € 109 million (Q1 2014: € 98 million). In the first quarter of 2015, Bioscience accounted for a 15% share of business sector sales.

LIFE SCIENCE →

NET SALES COMPONENTS BY BUSINESS AREA – Q1 2015

€ million / Change in %	Net sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Bioscience	109.4	0.5	11.4	–	11.9
Lab Solutions	286.2	2.2	8.4	–	10.5
Process Solutions	342.3	5.4	10.5	–1.7	14.2

The results of operations developed as follows:

LIFE SCIENCE →

RESULTS OF OPERATIONS[1]

€ million	Q1 – 2015	Q1 – 2014	Change in %
Net sales	**738.0**	**656.6**	**12.4**
Cost of sales	–321.3	–276.5	16.2
(of which: amortization of intangible assets)	*(–12.3)*	*(–11.8)*	*(4.3)*
Gross profit	**416.7**	**380.0**	**9.6**
Marketing and selling expenses	–233.4	–210.1	11.1
(of which: amortization of intangible assets)	*(–40.8)*	*(–37.4)*	*(9.2)*
Administration costs	–30.6	–28.6	7.0
Research and development costs	–45.0	–38.4	17.3
(of which: amortization of intangible assets)	*(–0.1)*	*(–)*	*(–)*
Other operating expenses and income	–25.0	–16.0	56.4
Operating result (EBIT)	**82.7**	**87.0**	**–4.9**
Depreciation/amortization/impairment losses/reversals of impairment losses	81.2	76.7	5.8
(of which: exceptionals)	*(–)*	*(–)*	*(–)*
EBITDA	**163.9**	**163.7**	**0.1**
Restructuring costs	2.5	–1.3	–
Integration costs/IT costs	3.8	7.5	–49.6
Gains/losses on the divestment of businesses	–	–0.3	–
Acquisition-related exceptionals	14.0	–	–
Other exceptionals	–	–	–
EBITDA pre exceptionals	**184.1**	**169.7**	**8.5**

[1] The reporting structure has changed, see "Segment Reporting" in the Notes to the interim Group accounts.

As a consequence of the favorable increase in net sales, gross profit increased by 9.6% to € 417 million (Q1 2014: € 380 million). However, gross margin decreased from 57.9% to 56.5% because the percentage increase in cost of sales was higher than that of net sales due to product mix developments. Higher research and development costs were primarily driven by ongoing innovative projects in Process Solutions and Lab Solutions as well as unfavorable foreign currency effects. The increase in other operating expenses (net) was mainly attributable to higher exceptionals, which amounted to € 20 million compared with € 6 million in the year-earlier quarter.

The operating result (EBIT) of Life Science thus decreased by −4.9% to € 83 million (Q1 2014: € 87 million). EBITDA pre exceptionals, the most important earnings indicator, rose to € 184 million (Q1 2014: € 170 million) in comparison with the year-earlier period.

Development of business free cash flow

In the first quarter of 2015, Life Science generated business free cash flow of € 23 million (Q1 2014: € 54 million). The decrease was mainly due to higher receivables and inventories in the first quarter of 2015. This was partly offset by the increase in EBITDA pre exceptionals. The rise in receivables and inventories was primarily attributable to foreign currency effects, especially in connection with the appreciation of the U.S. dollar against the euro.

LIFE SCIENCE →
BUSINESS FREE CASH FLOW

€ million	Q1 – 2015	Q1 – 2014	Change in %
EBITDA pre exceptionals	184.1	169.7	8.5
Investments in property, plant and equipment, software as well as advance payments for intangible assets	−21.4	−19.8	8.2
Changes in inventories	−54.3	−27.5	97.2
Changes in trade accounts receivable as well as receivables from royalties and licenses	−85.6	−67.9	26.0
Business free cash flow	**22.8**	**54.4**	**−58.1**

PERFORMANCE MATERIALS

PERFORMANCE MATERIALS →
KEY FIGURES

€ million	Q1 – 2015	Q1 – 2014	Change in %
Net sales[1]	617.0	402.3	53.4
Operating result (EBIT)	214.0	151.7	41.1
Margin (% of net sales)[1]	34.7	37.7	
EBITDA	272.8	178.8	52.6
Margin (% of net sales)[1]	44.2	44.5	
EBITDA pre exceptionals	276.6	186.4	48.4
Margin (% of net sales)[1]	44.8	46.3	
Business free cash flow	162.5	165.5	–1.8

[1] The composition of net sales has changed, see "Segment Reporting" in the Notes to the interim Group accounts.

Development of net sales and results of operations

In the first quarter of 2015, net sales of the Performance Materials business sector of Merck KGaA, Darmstadt, Germany, increased sharply by 53.4% to € 617 million (Q1 2014: € 402 million). This was mainly attributable to the additional sales contribution from the AZ acquisition (+37.0%) as well as significant foreign exchange effects (+14.8%) in all Performance Materials business units that primarily stemmed from the strong U.S. dollar. Slight organic sales growth of +1.6% was achieved, to which all business units contributed. The acquisition-related sales growth was due to the first-time consolidation of AZ Electronic Materials (AZ) as of May 2, 2014, the integration of which has meanwhile been completed. The integration of the former AZ businesses into Performance Materials has created new, more efficient business units, which are explained in more detail in the following.

The newly formed Display Materials business unit, consisting of the successful liquid crystals business of Merck KGaA, Darmstadt, Germany, and the complementary AZ display materials, represents more than 60% of the net sales of Performance Materials. The business unit generated slight organic growth and is defending its market leadership position thanks to the continual optimization of established premium liquid crystal mixtures as well as the successful development and marketing of new liquid crystal (LC) technologies. An example of this is the market launch of the energy-saving UB-FFS technology for displays used in mobile applications, which continued to progress successfully in the first quarter and was a key growth driver of Display Materials. Further volume increases were achieved for the two leading technologies, PS-VA and IPS. However, these increases were eroded by the price declines customary in this industry.

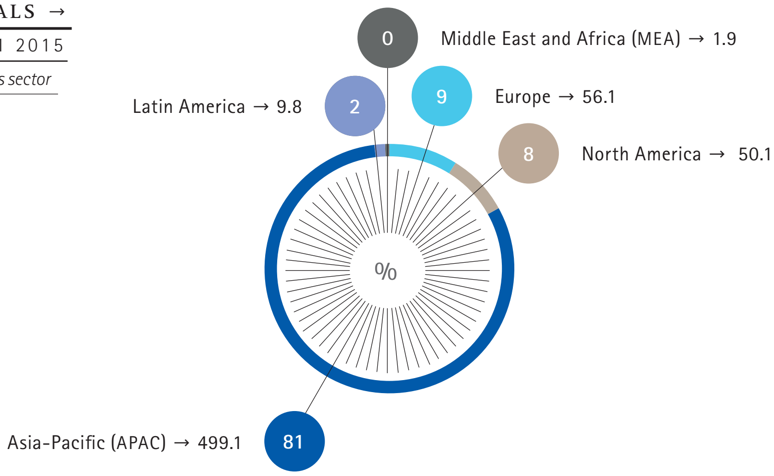
The renamed business unit Pigments & Functional Materials (formerly Pigments & Cosmetics) generated slight organic sales growth in the first quarter of 2015. Growth drivers were pigments for coating applications, mainly the Xirallic® pigments, which are primarily used in automotive coatings.

The Integrated Circuit Materials business unit includes the former AZ business with materials used to manufacture integrated circuits. In the first quarter of 2015, the sales contribution of this business unit was entirely acquisition-related. Compared with the year-earlier quarter, IC materials posted a moderate organic increase in sales and met the Group's expectations. Growth was fueled by materials used to polish silicon wafers (CMP: Chemical-Mechanical Planarization) and photolithography materials.

Thanks to higher demand for OLED displays and LED phosphors, the Advanced Technologies business unit also contributed to the business sector's organic growth.

PERFORMANCE MATERIALS →
NET SALES BY REGION – Q1 2015

€ million / % of net sales of the business sector



Accounting for 81% (Q1 2014: 80%) of sales, the Asia-Pacific region again generated the vast majority of the business sector's net sales. This is attributable to the concentration of customers for display and integrated circuit materials in Asia. Performance Materials achieved organic sales growth of 2.6% in this region. The main growth drivers were the acquisition of AZ (+35.7%) and positive currency effects (+16.8%), as throughout the business sector as a whole. In the first quarter, this resulted in net sales of nearly € 500 million (Q1 2014: € 322 million), underscoring the strength of the Performance Materials business sector of Merck KGaA, Darmstadt, Germany, in this strategically important region.

In Europe, Performance Materials generated sales of € 56 million (Q1 2014: € 48 million). The rise in sales was attributable to the first-time consolidation of AZ. In the first quarter of 2015, sales declined organically due to the weaker demand from the cosmetics industry.

In North America, net sales more than doubled to € 50 million (Q1 2014: € 22 million). This increase was attributable to the contribution to sales by AZ (+104.5%) on the one hand, and to the strength of the U.S. dollar (currency effect of +21.8%) on the other. Sales increased organically by 6.4%, which was driven by continued strong demand for Xirallic® pigments and higher sales of ingredients for sunscreens in the Pigments & Functional Materials business unit.

Owing to their low proportion of sales, the two regions Latin America and Middle East and Africa only play a subordinate role. Acquisition-related increases in sales were also the most significant change here.

PERFORMANCE MATERIALS →
NET SALES COMPONENTS BY REGION – Q1 2015

€ million / Change in %	Net sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Europe	56.1	–6.4	0.5	21.7	15.8
North America	50.1	6.4	21.8	104.5	132.7
Asia-Pacific (APAC)	499.1	2.6	16.8	35.7	55.1
Latin America	9.8	8.4	3.1	2.3	13.8
Middle East and Africa (MEA)	1.9	–32.7	2.0	29.3	–1.4
Performance Materials	**617.0**	**1.6**	**14.8**	**37.0**	**53.4**

The results of operations developed as follows:

PERFORMANCE MATERIALS →
RESULTS OF OPERATIONS[1]

€ million	Q1 – 2015	Q1 – 2014	Change in %
Net sales	**617.0**	**402.3**	**53.4**
Cost of sales	–280.3	–156.9	78.6
(of which: amortization of intangible assets)	*(–28.5)*	*(–0.2)*	*(–)*
Gross profit	**336.7**	**245.3**	**37.3**
Marketing and selling expenses	–46.1	–36.1	27.6
(of which: amortization of intangible assets)	*(–3.6)*	*(–2.7)*	*(30.7)*
Administration costs	–17.9	–7.7	131.8
Research and development costs	–46.6	–37.7	23.5
(of which: amortization of intangible assets)	*(–0.2)*	*(–0.7)*	*(–76.9)*
Other operating expenses and income	–12.2	–12.2	0.5
Operating result (EBIT)	**214.0**	**151.7**	**41.1**
Depreciation/amortization/impairment losses/reversals of impairment losses	58.8	27.2	116.5
(of which: exceptionals)	*(–)*	*(–)*	*(–)*
EBITDA	**272.8**	**178.8**	**52.6**
Restructuring costs	1.2	1.8	–36.8
Integration costs/IT costs	2.4	0.4	–
Gains/losses on the divestment of businesses	–	4.4	–
Acquisition-related exceptionals	0.2	1.0	–83.9
Other exceptionals	–	–	–
EBITDA pre exceptionals	**276.6**	**186.4**	**48.4**

[1] The reporting structure has changed, see "Segment Reporting" in the Notes to the interim Group accounts.

The development of results of operations was significantly influenced by the consolidation of AZ. In particular, the sharp increase in cost of sales in the first quarter of 2015 related mainly to the acquisition of AZ and the amortization of intangible assets in connection with the AZ purchase price allocation. The higher proportion of cost of sales of the acquired AZ business also led to a decline in the gross margin of Performance Materials to 54.6% (Q1 2014: 61.0%). In spite of this weaker gross margin, the operating result (EBIT) rose to € 214 million (Q1 2014: € 152 million) thanks to the positive development of sales. In the first quarter of 2015, both good business performance and favorable exchange rate effects increased EBITDA pre exceptionals by 48.4% to € 277 million (Q1 2014: € 186 million). The EBITDA margin pre exceptionals declined to 44.8% (Q1 2014: 46.3%), reflecting in particular the lower margin of the AZ business.

Development of business free cash flow

In the first quarter of 2015, the Performance Materials business sector of Merck KGaA, Darmstadt, Germany, generated business free cash flow of € 163 million, almost meeting the previous year's level (Q1 2014: € 166 million). The sharp increase in receivables as well as inventories in the first quarter of 2015 was mainly attributable to the foreign exchange effects of a weaker euro exchange rate. Slightly higher capital spending in the first quarter of 2015 also lowered business free cash flow. The improvement in EBITDA pre exceptionals could not completely offset the higher level of cash outflows.

PERFORMANCE MATERIALS →
BUSINESS FREE CASH FLOW

€ million	Q1 – 2015	Q1 – 2014	Change in %
EBITDA pre exceptionals	276.6	186.4	48.4
Investments in property, plant and equipment, software as well as advance payments for intangible assets	–16.9	–11.9	41.7
Changes in inventories	–55.0	7.1	–
Changes in trade accounts receivable as well as receivables from royalties and licenses	–42.3	–16.1	163.1
Business free cash flow	**162.5**	**165.5**	**–1.8**

CORPORATE AND OTHER

Corporate and Other comprises Group administration expenses for Group functions that cannot be directly allocated to the business sectors, such as Finance, Procurement, Legal, Communications, and Human Resources. Corporate costs additionally encompass expenses for central, non-allocated IT functions, including expenses related to the expansion and harmonization of IT systems within the Group. Accordingly, Corporate and Other has no net sales to report. Gains or losses from operational currency hedges are also disclosed under Corporate and Other.

CORPORATE AND OTHER →
KEY FIGURES

€ million	Q1 – 2015	Q1 – 2014	Change in %
Operating result (EBIT)	–85.2	–42.9	98.4
EBITDA	–80.7	–39.4	104.7
EBITDA pre exceptionals	–68.7	–28.3	142.4
Business free cash flow	–80.3	–31.9	151.4

In the first quarter of 2015, administration expenses reported under Corporate and Other amounted to € 57 million. They were thus noticeably higher than in the year-earlier quarter (Q1 2014: € 38 million) but overall in line with the previous quarters. Other operating expenses (net) increased to € –26 million (Q1 2014: € –3 million). This was mainly attributable to the development of the foreign currency result from operating activities. Whereas in the year-earlier quarter foreign currency gains were reported, a loss was incurred in the first quarter of 2015. Taking these effects into account, in the first quarter of 2015 EBIT amounted to € –85 million (Q1 2014: € –43 million) and EBITDA was € –81 million (Q1 2014: € –39 million). Adjusted for one-time effects, EBITDA pre exceptionals totaled € –69 million (Q1 2014: € –28 million). This also had an impact on the development of business free cash flow, which dropped to € –80 million (Q1 2014: € –32 million).

REPORT ON RISKS AND OPPORTUNITIES

As a global company operating a large number of highly innovative business fields, the Group is exposed to potential risks as well as opportunities. The risk categories enumerated as well as the opportunities described in the Report on Risks and Opportunities found on pages 122 to 133 of the Annual Report for 2014 remain valid for the Group in the current reporting period.

At present, Merck KGaA, Darmstadt, Germany, is not aware of any risks that could jeopardize the continued existence of the Group. The company has a Group-wide risk management system in place to identify and mitigate potential risks. The company continuously monitors business risks such as issues regarding liquidity, defaults on payables and receivables, currency and interest rates, market pricing, pension obligations, assessment of independent rating agencies, human resources and information technology. Regarding legal risks, the Group monitors a host of potential issues such as litigation regarding product liability, antitrust law, pharmaceutical law, patent law, and environmental protection.

REPORT ON EXPECTED DEVELOPMENTS

With the publication of the results of 2014, the company had provided a forecast of expected sales, EBITDA pre exceptionals and business free cash flow for the Group and its business sectors for 2015. As of the first quarter of 2015, Merck KGaA, Darmstadt, Germany, is disclosing commission income as part of net sales in order to better steer its business sectors. Yet this has no effect on the forecasts made. However, it should be noted that forecasts of net sales made from now on will include commission income.

With regard to the planned acquisition of Sigma-Aldrich, Merck KGaA, Darmstadt, Germany, has made further progress with all pending antitrust approval procedures since the last report on expected developments. Depending on the development of the discussions with the antitrust authorities, the company is still aiming to complete the acquisition in mid-2015. The forecast for the course of business in 2015 will initially be presented without taking the Sigma-Aldrich acquisition into account. In the event of a successful acquisition, separate forecasts for the affected business sectors and the Group will be made.

The sharp decline in the value of the euro against the U.S. dollar and major Asian currencies since the beginning of 2015 is leading to positive foreign exchange effects, which are expected to be in the range of 5% to 7% for net sales.

In 2015, slight organic sales growth and a slight portfolio effect due to the inclusion of AZ Electronic Materials for a full fiscal year are still expected for the Group. This development will be supported by strong, positive foreign exchange effects. Overall, the company assumes an increase in net sales to between € 12.3 billion and € 12.5 billion. Despite higher R&D spending in the Healthcare business sector, the downturn in the development of Rebif® in the United States and Europe, as well as the absence of royalty income for Humira®, the Group anticipates EBITDA pre exceptionals of between € 3.45 billion and € 3.55 billion in 2015. Business free cash flow of the Group is expected to lie between € 2.4 billion and € 2.5 billion in 2015. For EBITDA pre exceptionals of Corporate and Other, the Group anticipates a result of € –280 million to € –330 million. The sharp depreciation of the euro, which based on current exchange rate assumptions will lead to significant negative effects from currency hedging transactions, is also noticeable here.

In the event of the successful acquisition of Sigma-Aldrich, Merck KGaA, Darmstadt, Germany, expects double-digit growth rates for net sales and EBITDA pre exceptionals at Group level in 2015 compared with 2014. Strong growth of business free cash flow would be expected for the Group compared with 2014.

The company still expects organic sales of the Healthcare business sector in 2015 to remain at the previous year's level. For EBITDA pre exceptionals of the Healthcare business sector, the company is aiming for a target corridor of € 1.9 billion to € 2.0 billion. Spending on research and development projects related to the strategic alliance with Pfizer will be largely offset by the share of the upfront payment from Pfizer attributable to 2015. The negative earnings effect due to the expected significant decline in Rebif® sales and the absence of royalty income for Humira® should be mitigated by positive foreign exchange effects.

The Group continues to assume moderate organic sales growth in the Life Science business sector of Merck KGaA, Darmstadt, Germany, for 2015, which is likely to be driven especially by the Process Solutions and Lab Solutions business areas. Together with continuous efficiency improvements and positive foreign exchange effects, it is assumed that the development of net sales will increase EBITDA pre exceptionals to between € 730 million and € 760 million. In the event of the successful acquisition of Sigma-Aldrich, the company anticipates double-digit growth rates in the Life Science business sector of Merck KGaA, Darmstadt, Germany, for 2015 compared with 2014, both for net sales and EBITDA pre exceptionals.

The Group continues to expect slight organic sales growth for the Performance Materials business sector in 2015. Volume growth in the Liquid Crystals business is still expected despite the customary price decline for established products in this industry. Due to the first-time consolidation of AZ Electronic Materials for a full fiscal year, a strong portfolio effect for net sales is still expected. The Group assumes that EBITDA pre exceptionals of the Performance Materials business sector will increase to between € 1,050 million and € 1,100 million in 2015. The scheduled realization of synergies from the acquisition of AZ Electronic Materials and positive foreign exchange effects are likely to contribute to this.

GROUP →
FORECAST FOR FY 2015

€ million	Net sales	EBITDA pre exceptionals	Business free cash flow
Group	~12,300 – 12,500	~3,450 – 3,550	~2,400 – 2,500
Healthcare	Organic at the previous year's level	~1,900 – 2,000	~1,500 – 1,550
Life Science	Moderate organic growth	~730 – 760	~ 450 – 480
Performance Materials	Slight organic increase, strong portfolio effect	~1,050 – 1,100	~850 – 900
Corporate and Other		~−330 – −280	~ −420 – −390

Earnings per share pre exceptionals € 4.60 – € 4.80

Full-year FX assumptions for 2015:
€ 1 = US$ 1.10 – 1.15
€ 1 = JPY 135
€ 1 = CHF 1.05

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2015

CONSOLIDATED INCOME STATEMENT[1]

€ million	Q1 – 2015	Q1 – 2014
Net sales	**3,041.2**	**2,628.2**
Cost of sales	–973.2	–748.5
(of which: amortization of intangible assets)	*(–41.1)*	*(–12.0)*
Gross profit	**2,068.0**	**1,879.6**
Marketing and selling expenses	–939.7	–855.5
(of which: amortization of intangible assets)	*(–178.0)*	*(–183.4)*
Administration expenses	–172.0	–132.3
Research and development costs	–441.3	–379.6
(of which: amortization of intangible assets)	*(–0.7)*	*(–0.7)*
Other operating expenses and income	–35.1	–44.0
Operating result (EBIT)	**480.0**	**468.3**
Financial result	–100.6	–34.7
Profit before income tax	**379.4**	**433.6**
Income tax	–94.1	–106.1
Profit after tax	**285.3**	**327.4**
of which attributable to shareholders of Merck KGaA, Darmstadt, Germany (net income)	281.7	325.2
of which attributable to non-controlling interests	3.6	2.2
Earnings per share (€)		
basic[2]	0.65	0.75
diluted[2]	0.65	0.75

[1] The reporting structure has changed, see "Accounting policies".

[2] Taking into account the share split; previous year's figures have been adjusted accordingly, see "Earnings per share".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ million	Q1 – 2015	Q1 – 2014
Profit after tax	**285.3**	**327.4**
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	–288.7	–164.7
Deferred taxes	55.3	30.2
Changes recognized in equity	**–233.4**	**–134.5**
	–233.4	**–134.5**
Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale financial assets		
Fair value adjustments	7.2	–0.6
Reclassification to profit or loss	–	1.7
Deferred taxes	–1.9	–0.2
Changes recognized in equity	**5.3**	**0.9**
Derivative financial instruments		
Fair value adjustments	890.1	–23.0
Reclassification to profit or loss	11.8	–14.0
Reclassification to assets	–	–
Deferred taxes	29.2	8.8
Changes recognized in equity	**931.1**	**–28.2**
Exchange differences on translating foreign operations		
Changes taken directly to equity	1,033.4	10.6
Reclassification to profit or loss	–	–
Changes recognized in equity	**1,033.4**	**10.6**
	1,969.8	**–16.7**
Other comprehensive income	**1,736.4**	**–151.2**
Comprehensive income	**2,021.7**	**176.2**
of which attributable to shareholders of Merck KGaA, Darmstadt, Germany	2,010.6	171.1
of which attributable to non-controlling interests	11.1	5.1

CONSOLIDATED BALANCE SHEET[1]

€ million	March 31, 2015	Dec. 31, 2014
Non-current assets		
Intangible assets	11,733.0	11,395.5
Property, plant and equipment	3,067.8	2,990.4
Non-current financial assets	110.3	94.4
Other non-current assets	57.5	56.5
Deferred tax assets	1,113.5	992.9
	16,082.2	**15,529.7**
Current assets		
Inventories	1,814.9	1,659.7
Trade accounts receivable	2,482.3	2,219.5
Current financial assets	1,896.8	2,199.4
Other current assets	2,171.8	1,226.3
Income tax receivables	370.7	297.0
Cash and cash equivalents	5,943.0	2,878.5
	14,679.6	**10,480.4**
Assets	**30,761.8**	**26,010.1**
Total equity		
Equity capital	565.2	565.2
Reserves	9,089.2	9,038.9
Gains/losses recognized immediately in equity	4,099.8	2,137.5
Equity attributable to Merck KGaA, Darmstadt, Germany, shareholders	**13,754.2**	**11,541.6**
Non-controlling interests	70.0	59.4
	13,824.2	**11,801.0**
Non-current liabilities		
Provisions for pensions and other post-employment benefits	2,144.4	1,820.1
Non-current provisions	711.4	626.1
Non-current financial liabilities	7,228.8	3,561.1
Other non-current liabilities	782.5	782.0
Deferred tax liabilities	757.0	818.4
	11,624.1	**7,607.7**
Current liabilities		
Current provisions	572.9	561.7
Current financial liabilities	689.5	2,075.9
Trade accounts payable	1,609.7	1,539.4
Income tax liabilities	817.4	849.8
Other current liabilities	1,624.1	1,574.6
	5,313.6	**6,601.4**
Total liabilities and equity	**30,761.8**	**26,010.1**

[1] The structure of the balance sheet has changed, see "Accounting policies".

CONSOLIDATED CASH FLOW STATEMENT

€ million	Q1 – 2015	Q1 – 2014
Profit after tax	**285.3**	**327.4**
Depreciation / amortization / impairment losses / reversals of impairment losses	325.5	301.9
Changes in inventories	–43.3	–38.0
Changes in trade accounts receivable[1]	–104.5	–62.7
Changes in trade accounts payable	–24.2	–46.2
Changes in provisions	90.4	–47.0
Changes in other assets and liabilities[1]	–230.5	–32.0
Neutralization of gain / loss on disposals of assets	–15.3	–0.3
Other non-cash income and expenses	–4.8	5.5
Net cash flows from operating activities	**278.6**	**408.7**
Payments for investments in intangible assets	–3.9	–7.9
Payments from the disposal of intangible assets	16.3	–
Payments for investments in property, plant and equipment	–74.5	–57.4
Payments from the disposal of property, plant and equipment	2.1	0.8
Payments for investments in financial assets	–1,041.3	–165.7
Payments from the disposal of other financial assets	1,493.9	1,329.8
Net cash flows from investing activities	**392.5**	**1,099.7**
Dividend payments to non-controlling interests	–0.5	–2.6
Dividend payments to E. Merck KG, Darmstadt, Germany	–54.8	–
Repayments of financial liabilities to E. Merck KG, Darmstadt, Germany	–61.3	–11.0
Payments from the issuance of bonds	3,713.0	–
Repayments of bonds	–1,350.0	–
Changes in other current and non-current financial liabilities	41.1	20.7
Net cash flows from financing activities	**2,287.5**	**7.1**
Changes in cash and cash equivalents	**2,958.6**	**1,515.5**
Changes in cash and cash equivalents due to currency translation	105.9	–0.9
Cash and cash equivalents as of January 1	2,878.5	980.8
Cash and cash equivalents as of March 31 (consolidated balance sheet)	**5,943.0**	**2,495.4**

[1] Disclosure has changed in comparison with the previous year.

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

	Equity capital			Retained earnings	
€ million	General partner's equity Merck KGaA, Darmstadt, Germany	Subscribed capital Merck KGaA, Darmstadt, Germany	Capital reserves (share premium) Merck KGaA, Darmstadt, Germany	Retained earnings/ Net retained profit	Remeasurement of defined benefit plans
Balance as of January 1, 2014	**397.2**	**168.0**	**3,813.7**	**6,090.1**	**–562.7**
Profit after tax	–	–	–	325.2	–
Other comprehensive income	–	–	–	–	–134.5
Comprehensive income	**–**	**–**	**–**	**325.2**	**–134.5**
Dividend payments	–	–	–	–	–
Transactions with no change of control	–	–	–	0.3	–
Changes in scope of consolidation / Other	–	–	–	–	–
Balance as of March 31, 2014	**397.2**	**168.0**	**3,813.7**	**6,415.6**	**–697.2**
Balance as of Jan. 1, 2015	**397.2**	**168.0**	**3,813.7**	**6,499.9**	**–1,274.7**
Profit after tax	–	–	–	281.7	–
Other comprehensive income	–	–	–	–	–233.4
Comprehensive income	**–**	**–**	**–**	**281.7**	**–233.4**
Dividend payments	–	–	–	–	–
Transactions with no change of control	–	–	–	–	–
Changes in scope of consolidation / Other	–	–	–	2.0	–
Balance as of March 31, 2015	**397.2**	**168.0**	**3,813.7**	**6,783.6**	**–1,508.1**

Gains/losses recognized immediately in equity					
Available-for-sale financial assets	Derivative financial instruments	Currency translation difference	Equity attributable to Merck KGaA, Darmstadt, Germany, shareholders	Non-controlling interests	Total equity
1.0	**44.2**	**1,068.5**	**11,020.0**	**49.2**	**11,069.2**
–	–	–	325.2	2.2	327.4
0.9	–28.2	7.7	–154.1	2.9	–151.2
0.9	**–28.2**	**7.7**	**171.1**	**5.1**	**176.2**
–	–	–	–	–2.6	–2.6
–	–	–	0.3	–0.3	–
–	–	–	–	–	–
1.9	**16.0**	**1,076.2**	**11,191.4**	**51.4**	**11,242.8**
–0.1	**392.7**	**1,744.9**	**11,741.6**	**59.4**	**11,801.0**
–	–	–	281.7	3.6	285.3
5.3	931.1	1,025.9	1,728.9	7.5	1,736.4
5.3	**931.1**	**1,025.9**	**2,010.6**	**11.1**	**2,021.7**
–	–	–	–	–0.5	–0.5
–	–	–	–	–	–
–	–	–	2.0	–	2.0
5.2	**1,323.8**	**2,770.8**	**13,754.2**	**70.0**	**13,824.2**

NOTES TO THE INTERIM GROUP ACCOUNTS AS OF MARCH 31, 2015

These consolidated financial statements have been prepared with Merck KGaA, Frankfurter Strasse 250, 64293 Darmstadt, Germany, which manages the operations of the Group, as parent company.

Accounting policies

The unaudited interim financial statements of the Group dated March 31, 2015 comply with IAS 34. They have been prepared in accordance with the International Reporting Standards (IFRS) in force on the reporting date and adopted by the European Union as well as in accordance with section 37x para 3 of the German Securities Trading Act (WpHG). In accordance with IAS 34, a condensed scope of reporting as compared with the consolidated financial statements as of December 31, 2014 was selected. The figures in the report on the first quarter of 2015 have been rounded, which may lead to individual values not adding up to the totals presented.

The notes to the consolidated financial statements of the Group for 2014, particularly the accounting policies, apply accordingly.

Income tax includes the taxes on taxable profit levied in the individual countries plus changes in deferred taxes recognized in income. The income tax in the interim financial statements is calculated based on the results of the consolidated companies and the currently valid tax rate as a best possible estimate.

The preparation of the interim financial statements requires that assumptions and estimates be made to a certain extent. The assumptions and estimates are based on the current state of knowledge and the data available on the balance sheet date.

The following standards take effect as of fiscal 2015:

→ Annual Improvements to IFRSs 2011 – 2013 Cycle
→ IFRIC 21 “Levies”

The new rules do not have any material effects on the interim consolidated financial statements.

With the exception of the disclosure changes described in the following, there were no material changes to accounting policies in comparison with the year-earlier period.

Balance sheet structure

Since January 1, 2015, the balance sheet of the Group has been structured in descending order of maturity. The previous year has been adjusted accordingly.

Segment reporting

On January 1, 2015, the Group began reporting the three segments Healthcare, Life Science and Performance Materials in its Segment Reporting. More information on the new segmentation can be found under “Segment Reporting”.

Functional allocation of amortization of intangible assets (excluding software) as well as royalty, license and commission expenses

Since the third quarter of 2014, amortization of intangible assets (excluding software), which was previously disclosed in a separate line in the income statement, has been allocated to the corresponding functional costs. Amortization relates in particular to intangible assets recognized within the scope of the purchase price allocations for the acquisitions of Serono SA, the Millipore Corporation as well as AZ Electronic Materials S.A. Amortization of software was already allocated to the functional costs in the past. This disclosure change has led to an increase in marketing and selling expenses, cost of sales as well as research and development costs. In addition, royalty, license and commission expenses, which was previously disclosed in a separate line, has been allocated to the corresponding functional costs or to a limited extent to other operating expenses as of January 1, 2015.

New composition of net sales and trade accounts receivable

As of this reporting period, royalty, license and commission income is no longer disclosed in a separate line in the income statement. Instead, royalty and license income is included in other operating income, and commission income is included in net sales. Consequently, in the balance sheet as of December 31, 2014, receivables from licenses, which amounted to € 16.1 million and were previously included in trade accounts receivable, were reclassified to other current assets.

All of the aforementioned disclosure changes were made in order to ensure improved comparability of the income statement of the Group with other companies. A detailed presentation of the resulting disclosure changes by business sector can be found in the information on “Segment Reporting”.

The previous year’s figures have been adjusted accordingly and are presented in the following table:

GROUP | 2014 ADJUSTMENT

€ million	2014 old structure				2014 adjustment				2014 adjusted			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	2,613.9	2,795.5	2,905.6	2,976.5	14.3	19.8	15.1	22.1	2,628.2	2,815.3	2,920.7	2,998.6
Royalty, license and commission income	51.0	67.6	30.8	59.9	–51.0	–67.6	–30.8	–59.9	–	–	–	–
Total revenues	**2,664.8**	**2,863.1**	**2,936.4**	**3,036.4**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Cost of sales	–748.5	–841.5	–948.2	–988.2	–	–	–	–	–748.5	–841.5	–948.2	–988.2
(of which: amortization of intangible assets)	*(–12.0)*	*(–12.9)*	*(–30.0*	*(–39.1)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–12.0)*	*(–12.9)*	*(–30.0)*	*(–39.1)*
Gross profit	**1,916.3**	**2,021.6**	**1,988.2**	**2,048.3**	**–36.7**	**–47.8**	**–15.7**	**–37.8**	**1,879.6**	**1,973.8**	**1,972.5**	**2,010.5**
Marketing and selling expenses	–732.9	–785.3	–759.4	–827.2	–122.6	–126.8	–120.3	–114.6	–855.5	–912.1	–879.7	–941.8
(of which: amortization of intangible assets)	*(–183.4)*	*(–183.8)*	*(–174.8)*	*(–176.9)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–183.4)*	*(–183.8)*	*(–174.8)*	*(–176.9)*
Royalty, license and commission expenses	–136.4	–139.1	–134.4	–127.6	136.4	139.1	134.4	127.6	–	–	–	–
Administration expenses	–132.3	–151.0	–156.0	–169.3	–	–	–	–	–132.3	–151.0	–156.0	–169.3
Research and development costs	–379.6	–394.8	–505.1	–424.2	–	–	–	–	–379.6	–394.8	–505.1	–424.2
(of which: amortization of intangible assets)	*(–0.7)*	*(–0.7)*	*(–1.3)*	*(–1.1)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–0.7)*	*(–0.7)*	*(–1.3)*	*(–1.1)*
Other operating expenses and income	–66.8	–110.4	–4.4	–76.1	22.8	35.6	1.6	24.7	–44.0	–74.8	–2.8	–51.4
Operating result (EBIT)	**468.3**	**441.0**	**428.9**	**423.8**	**–**	**–**	**–**	**–**	**468.3**	**441.0**	**428.9**	**423.8**
Margin (% of net sales)	17.9	15.8	14.8	14.2	–0.1	–0.1	–0.1	–0.1	17.8	15.7	14.7	14.1
EBITDA	**770.2**	**767.0**	**781.5**	**804.2**	**–**	**–**	**–**	**–**	**770.2**	**767.0**	**781.5**	**804.2**
Margin (% of net sales)	29.5	27.4	26.9	27.0	–0.2	–0.2	–0.1	–0.2	29.3	27.2	26.8	26.8
EBITDA pre exceptionals	**807.1**	**845.7**	**856.6**	**878.4**	**–**	**–**	**–**	**–**	**807.1**	**845.7**	**856.6**	**878.4**
Margin (% of net sales)	30.9	30.3	29.5	29.5	–0.2	–0.3	–0.2	–0.2	30.7	30.0	29.3	29.3

€ million	2014 old structure			2014 adjustment			2014 adjusted		
	Jan.– June	Jan.–Sept.	Jan.–Dec.	Jan.– June	Jan.–Sept.	Jan.–Dec.	Jan.– June	Jan.–Sept.	Jan.–Dec.
Net sales	5,409.4	8,315.0	11,291.5	34.1	49.2	71.3	5,443.5	8,364.2	11,362.8
Royalty, license and commission income	118.5	149.4	209.3	–118.5	–149.4	–209.3	–	–	–
Total revenues	**5,527.9**	**8,464.4**	**11,500.8**	**–**	**–**	**–**	**–**	**–**	**–**
Cost of sales	–1,590.0	–2,538.3	–3,526.4	–	–	–	–1,590.0	–2,538.3	–3,526.4
(of which: amortization of intangible assets)	*(–24.9)*	*(–54.9)*	*(–94.0)*	*(–)*	*(–)*	*(–)*	*(–24.9)*	*(–54.9)*	*(–94.0)*
Gross profit	**3,937.9**	**5,926.1**	**7,974.4**	**–84.5**	**–100.2**	**–138.0**	**3,853.4**	**5,825.9**	**7,836.4**
Marketing and selling expenses	–1,518.2	–2,277.7	–3,104.9	–249.4	–369.6	–484.2	–1,767.6	–2,647.3	–3,589.1
(of which: amortization of intangible assets)	*(–367.2)*	*(–542.1)*	*(–719.0)*	*(–)*	*(–)*	*(–)*	*(–367.2)*	*(–542.1)*	*(–719.0)*
Royalty, license and commission expenses	–275.4	–409.9	–537.5	275.4	409.9	537.5	–	–	–
Administration expenses	–283.3	–439.3	–608.6	–	–	–	–283.3	–439.3	–608.6
Research and development costs	–774.4	–1,279.5	–1,703.7	–	–	–	–774.4	–1,279.5	–1,703.7
(of which: amortization of intangible assets)	*(–1.4)*	*(–2.8)*	*(–3.8)*	*(–)*	*(–)*	*(–)*	*(–1.4)*	*(–2.8)*	*(–3.8)*
Other operating expenses and income	–177.2	–181.6	–257.7	58.4	60.0	84.7	–118.8	–121.6	–173.0
Operating result (EBIT)	**909.3**	**1,338.2**	**1,762.0**	**–**	**–**	**–**	**909.3**	**1,338.2**	**1,762.0**
Margin (% of net sales)	16.8	16.1	15.6	–0.1	–0.1	–0.1	16.7	16.0	15.5
EBITDA	**1,537.2**	**2,318.7**	**3,122.9**	**–**	**–**	**–**	**1,537.2**	**2,318.7**	**3,122.9**
Margin (% of net sales)	28.4	27.9	27.7	–0.2	–0.2	–0.2	28.2	27.7	27.5
EBITDA pre exceptionals	**1,652.7**	**2,509.4**	**3,387.7**	**–**	**–**	**–**	**1,652.7**	**2,509.4**	**3,387.7**
Margin (% of net sales)	30.6	30.2	30.0	–0.2	–0.2	–0.2	30.4	30.0	29.8

Scope of consolidation

As of March 31, 2015, 215 (December 31, 2014: 218) companies were fully consolidated. No companies were consolidated using either the proportionate consolidation method or the equity method as of the balance sheet date. Since the beginning of 2015, one merger and one liquidation took place. In addition, three companies were deconsolidated due to immateriality and two previously immaterial companies were included in the scope of consolidation for the first time.

Acquisition of AZ Electronic Materials S.A. in 2014

Within the scope of a public takeover offer, on May 2, 2014 the Group had received valid acceptances of the offer in respect of 81.3% of the share capital and thus obtained control of the publicly listed company AZ Electronic Materials S.A., Luxembourg (AZ). By June 27, 2014, the Group's shareholding in AZ had increased to 99.8% and was then able to initiate a squeeze-out, which was completed on July 2, 2014 with the acquisition of the remaining shareholding of 0.2%.

AZ is a producer of high-purity specialty chemicals for integrated circuits as well as light-sensitive processing materials, or photoresists, for the manufacture of flat panel displays, and silicon-chemistry-based products for optoelectronics.

Within the scope of the acquisition, no conditional consideration was agreed upon which the Group would possibly have to pay in the future. The purchase price allocation was completed on December 31, 2014.

The development of the goodwill recognized within the scope of the acquisition during the period from January 1, 2015 and March 31, 2015 was as follows:

	Development of goodwill
Goodwill on December 31, 2014	930.0
Exchange rate effects	118.5
Goodwill on March 31, 2015	**1,048.5**

Planned acquisition of Sigma-Aldrich Corporation

Merck KGaA, Darmstadt, Germany, and Sigma Aldrich Corporation, a life science and high-tech enterprise headquartered in St. Louis, USA, (Sigma-Aldrich) announced on September 22, 2014 that they had entered into a merger agreement under which the comapny will acquire Sigma-Aldrich for a total purchase price of approximately US$ 17.0 billion or approximately € 13.1 billion (based on the exchange rate on September 22, 2014). Sigma-Aldrich shareholders approved the transaction at an extraordinary shareholders' meeting on December 5, 2014.

The Group received antitrust clearance of the planned acquisition from the U.S. Federal Trade Commission (FTC) on December 23, 2014. U.S. antitrust clearance satisfies a condition to closing the transaction, which remains subject to certain other closing conditions, including regulatory approval in other jurisdictions. The Group continues to expect the transaction to close mid-2015.

The purchase price is planned to be financed through a combination of cash on the Group's balance sheet, bank loans and bonds. Following the issuance of a hybrid bond (€ 1.5 billion) in December 2014, the Group issued a further bond with a volume of US$ 4 billion in the United States on March 17, 2015. A total of five tranches were placed, comprising floating rate and fixed rate notes. The floating rate notes have a maturity of 2 years (US$ 250 million with a 0.35% spread over 3-month U.S. dollar LIBOR). The fixed rate notes have a maturity of 3 years (US$ 400 million with a coupon of 1.70%), 5 years (US$ 750 million with a coupon of 2.40%), 7 years (US$ 1.0 billion for 2.95%), and 10 years (US$ 1.6 billion for 3.25%).

The vast majority of the currency risk stemming from the purchase price payment for Sigma-Aldrich in U.S. dollars has been hedged using standard derivatives (forward exchange transactions and currency options) in line with the requirements for cash flow hedge accounting.

SEGMENT REPORTING

INFORMATION BY BUSINESS SECTOR

	Healthcare		Life Science		Performance Materials		Corporate and Other		Group	
€ million	Q1 – 2015	Q1 – 2014	Q1 – 2015	Q1 – 2014	Q1 – 2015	Q1 – 2014	Q1 – 2015	Q1 – 2014	Q1 – 2015	Q1 – 2014
Net sales[1]	**1,686.2**	**1,569.3**	**738.0**	**656.6**	**617.0**	**402.3**	**–**	**–**	**3,041.2**	**2,628.2**
Operating result (EBIT)	**268.4**	**272.6**	**82.7**	**87.0**	**214.0**	**151.7**	**–85.2**	**–42.9**	**480.0**	**468.3**
Depreciation and amortization	180.5	193.2	81.2	76.6	58.9	27.2	4.4	3.5	325.0	300.6
Impairment losses	0.5	1.3	–	0.1	–	–	–	–	0.5	1.4
Reversals of impairment losses	–	–	–	–	–0.1	–0.1	–	–	–0.1	–0.1
EBITDA	**449.4**	**467.1**	**163.9**	**163.7**	**272.8**	**178.8**	**–80.7**	**–39.4**	**805.4**	**770.2**
Exceptionals	11.6	12.2	20.2	5.9	3.8	7.6	12.0	11.1	47.6	36.8
EBITDA pre exceptionals (Segment result)	**461.0**	**479.3**	**184.1**	**169.7**	**276.6**	**186.4**	**–68.7**	**–28.3**	**853.0**	**807.1**
EBITDA margin pre exceptionals (% of net sales)	27.3	30.5	25.0	25.8	44.8	46.3	–	–	28.0	30.7
Net operating assets[2]	6,045.5	6,041.0	6,613.4	6,196.3	3,684.2	3,348.6	115.2	126.1	16,458.3	15,712.0
Segment liabilities[2]	–2,598.6	–2,507.9	–476.7	–434.6	–335.2	–355.4	–54.3	–56.5	–3,464.8	–3,354.4
Investments in property, plant and equipment[3]	28.1	26.5	21.1	18.6	16.5	11.3	8.9	1.0	74.5	57.4
Investments in intangible assets[3]	1.2	3.8	0.4	1.3	0.4	0.7	1.9	2.1	3.9	7.9
Net cash flows from operating activities[3]	360.0	477.2	129.7	99.7	247.1	167.9	–458.1	–336.0	278.6	408.7
Business free cash flow	255.6	496.1	22.8	54.4	162.5	165.5	–80.3	–31.9	360.5	684.1

[1] The composition of net sales has changed, see "Accounting Policies".
[2] Figures for the reporting period ending on March 31, 2015, previous-year figures as of December 31, 2014.
[3] According to the consolidated cash flow statement.

Segmentation was performed in accordance with the internal organization and reporting structure of the Group valid as of 2015. On January 1, 2015, the three business sectors Healthcare, Life Science and Performance Materials were introduced for the internal steering, resource allocation and the assessment of performance within the Group. The Healthcare business sector of Merck KGaA, Darmstadt, Germany, comprises the businesses that were reported separately as the Biopharmaceuticals business and Consumer Health segments in the previous year. The Life Science business sector of Merck KGaA, Darmstadt, Germany, comprises the Life Science business and thus corresponds to the Life Science business segment of the previous year. The Performance Materials business sector of Merck KGaA, Darmstadt, Germany, corresponds to the segment of the same name in the previous year.

The fields of activity of the individual segments are described in detail in the sections about the business sectors in the interim management report.

The column "Corporate and Other" includes expenses and income as well as assets and liabilities that cannot be directly allocated to the reportable segments. These mainly relate to Group functions. Moreover, the column serves the reconciliation to the Group numbers. The expenses and income as well as cash flows from the financial result and from income taxes are also disclosed under "Corporate and Other".

Apart from net sales, the success of a segment is mainly determined by EBITDA pre exceptionals (segment result) and business free cash flow. EBITDA pre exceptionals and business free cash flow are performance indicators not defined by International

Financial Reporting Standards. However, they represent important variables used to steer the Group. To permit a better understanding of operational performance, EBITDA pre exceptionals excludes depreciation, amortization, impairment losses, and reversals of impairment losses in addition to specific income and expenses of a one-time nature presented in the following. Among other things, business free cash flow is also used for internal target agreements and individual incentive plans.

Transfer prices for intragroup sales are determined on an arm's-length basis.

The following table presents the reconciliation of EBITDA pre exceptionals of all operating businesses to the profit before income tax of the Group.

€ million	Q1 – 2015	Q1 – 2014
Total EBITDA pre exceptionals of the operating businesses	**921.7**	**835.4**
Corporate and Other	–68.7	–28.3
EBITDA pre exceptionals Group	**853.0**	**807.1**
Depreciation / amortization / impairment losses / reversals of impairment losses	–325.5	–301.9
Exceptionals	–47.6	–36.8
Operating result (EBIT)	**480.0**	**468.3**
Financial result	–100.6	–34.7
Profit before income tax	**379.4**	**433.6**

The composition of business free cash flow was as follows:

€ million	Q1 – 2015	Q1 – 2014
EBITDA pre exceptionals	**853.0**	**807.1**
Investments in property, plant and equipment, software as well as advance payments for intangible assets	–78.4	–62.8
Changes in inventories according to the balance sheet	–155.3	–37.4
Changes in trade accounts receivable and receivables from royalties and licenses according to the balance sheet	–258.8	–22.7
Business free cash flow	**360.5**	**684.1**

Exceptionals were as follows:

€ million	Q1 – 2015	Q1 – 2014
Restructuring costs	–19.2	–15.1
Acquisition-related exceptionals	–14.1	–1.0
Integration / IT costs	–10.3	–14.4
Gains / losses on the divestment of businesses	–	–4.1
Other exceptionals	–4.0	–2.3
Exceptionals before impairment losses / reversals of impairments	**–47.6**	**–36.8**
Impairment losses	–	–1.3
Reversals of impairment losses	–	–
Exceptionals (total)	**–47.6**	**–38.1**

The restructuring costs in the current fiscal year amounting to € 19.2 million (year-earlier period: € 15.1 million) mainly related to the “Fit for 2018” transformation and growth program.

Acquisition-related exceptionals amounting to € 14.1 million (year-earlier period: € 1.0 million) largely arose in connection with the planned acquisition of Sigma-Aldrich Corporation, USA.

The reconciliation of operating assets presented in the Segment Reporting to the total assets of the Group was as follows:

€ million	March 31, 2015	Dec. 31, 2014
Assets	30,761.8	26,010.1
Monetary assets (cash and cash equivalents, current financial assets, loans, securities	–9,345.8	–5,563.1
Non-operating receivables, income tax receivables, deferred taxes and net defined benefit assets	–1,492.9	–1,380.6
Operating assets (gross)	**19,923.1**	**19,066.4**
Trade accounts payable	–1,609.7	–1,539.4
Other operating liabilities	–1,855.0	–1,815.0
Segment liabilities	**–3,464.8**	**–3,354.4**
Operating assets (net)	**16,458.3**	**15,712.0**

The adjustments to the previous year’s figures of the three business sectors owing to disclosure changes to royalty, license and commission income as well as royalty, license and commission expenses (see “Accounting policies”) are presented in the following tables.

HEALTHCARE | 2014 ADJUSTMENT

	2014 old structure				2014 adjustment				2014 adjusted			
€ million	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	1,555.1	1,631.1	1,668.7	1,694.4	14.2	19.6	14.9	22.4	1,569.3	1,650.8	1,683.7	1,716.8
Royalty, license and commission income	46.6	64.6	27.1	56.1	–46.6	–64.6	–27.1	–56.1	–	–	–	–
Total revenues	**1,601.7**	**1,695.7**	**1,695.9**	**1,750.6**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Cost of sales	–314.0	–308.9	–354.0	–393.6	–	–	–	–	–314.0	–308.9	–354.0	–393.6
(of which: amortization of intangible assets)	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*
Gross profit	**1,287.7**	**1,386.8**	**1,341.9**	**1,357.0**	**–32.3**	**–44.9**	**–12.2**	**–33.8**	**1,255.4**	**1,341.9**	**1,329.6**	**1,323.2**
Marketing and selling expenses	–491.1	–537.5	–509.3	–545.3	–117.7	–122.6	–115.8	–111.4	–608.8	–660.1	–625.1	–656.7
(of which: amortization of intangible assets)	*(–143.3)*	*(–143.6)*	*(–134.0)*	*(–134.6)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–143.3)*	*(–143.6)*	*(–134.0)*	*(–134.6)*
Royalty, license and commission expenses	–131.5	–134.9	–130.0	–124.5	131.5	134.9	130.0	124.5	–	–	–	–
Administration expenses	–58.5	–62.6	–62.5	–63.4	–	–	–	–	–58.5	–62.6	–62.5	–63.4
Research and development costs	–303.1	–316.5	–415.6	–330.8	–	–	–	–	–303.1	–316.5	–415.6	–330.8
(of which: amortization of intangible assets)	*(–)*	*(–)*	*(–0.6)*	*(–0.4)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–0.6)*	*(–0.4)*
Other operating expenses and income	–30.9	–58.8	54.4	–14.6	18.5	32.7	–2.0	20.7	–12.4	–26.0	52.5	6.1
Operating result (EBIT)	**272.6**	**276.6**	**278.9**	**278.4**	**–**	**–**	**–**	**–**	**272.6**	**276.6**	**278.9**	**278.4**
EBITDA	**467.1**	**483.6**	**480.7**	**515.0**	**–**	**–**	**–**	**–**	**467.1**	**483.6**	**480.7**	**515.0**
EBITDA pre exceptionals	**479.3**	**493.4**	**497.2**	**530.4**	**–**	**–**	**–**	**–**	**479.3**	**493.4**	**497.2**	**530.4**
Margin (% of net sales)	30.8	30.3	29.8	31.3	–0.3	–0.4	–0.3	–0.4	30.5	29.9	29.5	30.9

	2014 old structure			2014 adjustment			2014 adjusted		
€ million	Jan.– June	Jan.–Sept.	Jan.–Dec.	Jan.– June	Jan.–Sept.	Jan.–Dec.	Jan.– June	Jan.–Sept.	Jan.–Dec.
Net sales	3,186.2	4,855.0	6,549.4	33.9	48.8	71.2	3,220.1	4,903.7	6,620.5
Royalty, license and commission income	111.1	138.3	194.4	–111.1	–138.3	–194.4	–	–	–
Total revenues	**3,297.4**	**4,993.2**	**6,743.8**	**–**	**–**	**–**	**–**	**–**	**–**
Cost of sales	–622.9	–976.9	–1,370.4	–	–	–0.1	–622.9	–976.9	–1,370.5
(of which: amortization of intangible assets)	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*
Gross profit	**2,674.5**	**4,016.4**	**5,373.4**	**–77.3**	**–89.5**	**–123.3**	**2,597.2**	**3,926.9**	**5,250.0**
Marketing and selling expenses	–1,028.6	–1,538.0	–2,083.3	–240.3	–356.1	–467.5	–1,268.9	–1,894.1	–2,550.8
(of which: amortization of intangible assets)	*(–286.9)*	*(–420.9)*	*(–555.4)*	*(–)*	*(–)*	*(–)*	*(–286.9)*	*(–420.9)*	*(–555.4)*
Royalty, license and commission expenses	–266.4	–396.3	–520.9	266.4	396.3	520.9	–	–	–
Administration expenses	–121.1	–183.5	–246.9	–	–	–	–121.1	–183.5	–246.9
Research and development costs	–619.6	–1,035.2	–1,366.0	–	–	–	–619.6	–1,035.2	–1,366.0
(of which: amortization of intangible assets)	*(–)*	*(–0.6)*	*(–1.0)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–0.6)*	*(–1.0)*
Other operating expenses and income	–89.7	–35.3	–49.8	51.2	49.3	70.0	–38.5	14.0	20.1
Operating result (EBIT)	**549.2**	**828.1**	**1,106.4**	**–**	**–**	**–**	**549.2**	**828.1**	**1,106.4**
EBITDA	**950.7**	**1,431.4**	**1,946.4**	**–**	**–**	**–**	**950.7**	**1,431.4**	**1,946.4**
EBITDA pre exceptionals	**972.7**	**1,469.9**	**2,000.3**	**–**	**–**	**–**	**972.7**	**1,469.9**	**2,000.3**
Margin (% of net sales)	30.5	30.3	30.5	–0.3	–0.3	–0.3	30.2	30.0	30.2

LIFE SCIENCE | 2014 ADJUSTMENT

€ million	2014 old structure Q1	Q2	Q3	Q4	2014 adjustment Q1	Q2	Q3	Q4	2014 adjusted Q1	Q2	Q3	Q4
Net sales	656.5	658.7	660.8	706.5	0.1	–	0.1	–0.2	656.6	658.7	660.9	706.3
Royalty, license and commission income	3.9	2.8	3.6	3.7	–3.9	–2.8	–3.6	–3.7	–	–	–	–
Total revenues	**660.4**	**661.5**	**664.4**	**710.2**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Cost of sales	–276.5	–285.9	–292.1	–314.1	–	–	–	–	–276.5	–285.9	–292.1	–314.1
(of which: amortization of intangible assets)	*(–11.8)*	*(–11.8)*	*(–11.9)*	*(–12.0)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–11.8)*	*(–11.8)*	*(–11.9)*	*(–12.0)*
Gross profit	**383.9**	**375.6**	**372.3**	**396.0**	**–3.9**	**–2.8**	**–3.5**	**–3.9**	**380.0**	**372.8**	**368.8**	**392.1**
Marketing and selling expenses	–206.0	–201.6	–205.6	–231.0	–4.1	–3.4	–3.9	–4.3	–210.1	–205.0	–209.4	–235.2
(of which: amortization of intangible assets)	*(–37.4)*	*(–37.4)*	*(–38.1)*	*(–38.8)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–37.4)*	*(–37.4)*	*(–38.1)*	*(–38.8)*
Royalty, license and commission expenses	–4.1	–3.4	–3.9	–4.3	4.1	3.4	3.9	4.3	–	–	–	–
Administration expenses	–28.6	–25.8	–26.3	–29.6	–	–	–	–	–28.6	–25.8	–26.3	–29.6
Research and development costs	–38.4	–39.3	–41.8	–43.1	–	–	–	–	–38.4	–39.3	–41.8	–43.1
(of which: amortization of intangible assets)	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*
Other operating expenses and income	–19.8	–30.3	–23.0	–32.8	3.9	2.8	3.5	3.9	–16.0	–27.5	–19.5	–28.8
Operating result (EBIT)	**87.0**	**75.2**	**71.7**	**55.3**	**–**	**–**	**–**	**–**	**87.0**	**75.2**	**71.7**	**55.3**
EBITDA	**163.7**	**150.3**	**149.6**	**135.2**	**–**	**–**	**–**	**–**	**163.7**	**150.3**	**149.6**	**135.2**
EBITDA pre exceptionals	**169.7**	**165.7**	**160.5**	**162.7**	**–**	**–**	**–**	**–**	**169.7**	**165.7**	**160.5**	**162.7**
Margin (% of net sales)	25.8	25.2	24.3	23.0	–	–	–	–	25.8	25.2	24.3	23.0

€ million	2014 old structure Jan.– June	Jan.–Sept.	Jan.–Dec.	2014 adjustment Jan.– June	Jan.–Sept.	Jan.–Dec.	2014 adjusted Jan.– June	Jan.–Sept.	Jan.–Dec.
Net sales	1,315.2	1,976.0	2,682.5	0.1	0.2	–	1,315.3	1,976.2	2,682.5
Royalty, license and commission income	6.7	10.3	14.0	–6.7	–10.3	–14.0	–	–	–
Total revenues	**1,321.9**	**1,986.3**	**2,696.5**	**–**	**–**	**–**	**–**	**–**	**–**
Cost of sales	–562.4	–854.6	–1,168.7	–	–	–	–562.4	–854.6	–1,168.7
(of which: amortization of intangible assets)	*(–23.6)*	*(–35.6)*	*(–47.6)*	*(–)*	*(–)*	*(–)*	*(–23.6)*	*(–35.6)*	*(–47.6)*
Gross profit	**759.5**	**1,131.8**	**1,527.8**	**–6.6**	**–10.2**	**–14.1**	**752.8**	**1,121.6**	**1,513.8**
Marketing and selling expenses	–407.6	–613.2	–844.1	–7.5	–11.4	–15.6	–415.1	–624.5	–859.8
(of which: amortization of intangible assets)	*(–74.8)*	*(–113.0)*	*(–151.8)*	*(–)*	*(–)*	*(–)*	*(–74.8)*	*(–113.0)*	*(–151.8)*
Royalty, license and commission expenses	–7.5	–11.4	–15.6	7.5	11.4	15.6	–	–	–
Administration expenses	–54.4	–80.7	–110.4	–	–	–	–54.4	–80.7	–110.4
Research and development costs	–77.7	–119.5	–162.6	–	–	–	–77.7	–119.5	–162.6
(of which: amortization of intangible assets)	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*
Other operating expenses and income	–50.1	–73.1	–105.9	6.6	10.2	14.1	–43.4	–63.0	–91.8
Operating result (EBIT)	**162.2**	**233.9**	**289.2**	**–**	**–**	**–**	**162.2**	**233.9**	**289.2**
EBITDA	**314.0**	**463.7**	**598.9**	**–**	**–**	**–**	**314.0**	**463.7**	**598.9**
EBITDA pre exceptionals	**335.4**	**495.9**	**658.6**	**–**	**–**	**–**	**335.4**	**495.9**	**658.6**
Margin (% of net sales)	25.5	25.1	24.6	–	–	–	25.5	25.1	24.6

PERFORMANCE MATERIALS | 2014 ADJUSTMENT

€ million	2014 old structure				2014 adjustment				2014 adjusted			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	402.2	505.7	576.1	575.6	0.1	0.1	–	–	402.3	505.8	576.1	575.6
Royalty, license and commission income	0.5	0.2	–	0.1	–0.5	–0.2	–	–0.1	–	–	–	–
Total revenues	**402.7**	**505.9**	**576.1**	**575.7**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Cost of sales	–156.9	–246.1	–300.9	–279.2	–	–	–	–	–156.9	–246.1	–300.9	–279.2
(of which: amortization of intangible assets)	*(–0.2)*	*(–1.1)*	*(–18.1)*	*(–27.0)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–0.2)*	*(–1.1)*	*(–18.1)*	*(–27.0)*
Gross profit	**245.8**	**259.8**	**275.2**	**296.5**	**–0.5**	**–0.1**	**–**	**–0.1**	**245.3**	**259.7**	**275.2**	**296.4**
Marketing and selling expenses	–35.3	–47.8	–44.2	–50.4	–0.7	–0.9	–0.6	1.2	–36.1	–48.7	–44.8	–49.3
(of which: amortization of intangible assets)	*(–2.7)*	*(–2.7)*	*(–2.7)*	*(–3.5)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–2.7)*	*(–2.7)*	*(–2.7)*	*(–3.5)*
Royalty, license and commission expenses	–0.7	–0.9	–0.6	1.2	0.7	0.9	0.6	–1.2	–	–	–	–
Administration expenses	–7.7	–14.7	–18.4	–15.2	–	–	–	–	–7.7	–14.7	–18.4	–15.2
Research and development costs	–37.7	–38.6	–45.9	–48.3	–	–	–	–	–37.7	–38.6	–45.9	–48.3
(of which: amortization of intangible assets)	*(–0.7)*	*(–0.7)*	*(–0.7)*	*(–0.7)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–0.7)*	*(–0.7)*	*(–0.7)*	*(–0.7)*
Other operating expenses and income	–12.6	–20.2	–13.9	–13.5	0.5	0.1	–	0.1	–12.2	–20.1	–13.9	–13.4
Operating result (EBIT)	**151.7**	**137.5**	**152.1**	**170.2**	**–**	**–**	**–**	**–**	**151.7**	**137.5**	**152.1**	**170.2**
EBITDA	**178.8**	**178.1**	**217.6**	**229.1**	**–**	**–**	**–**	**–**	**178.8**	**178.1**	**217.6**	**229.1**
EBITDA pre exceptionals	**186.4**	**226.3**	**242.9**	**239.2**	**–**	**–**	**–**	**–**	**186.4**	**226.3**	**242.9**	**239.2**
Margin (% of net sales)	46.3	44.8	42.2	41.6	–	–0.1	–	–	46.3	44.7	42.2	41.6

€ million	2014 old structure			2014 adjustment			2014 adjusted		
	Jan.– June	Jan.–Sept.	Jan.–Dec.	Jan.– June	Jan.–Sept.	Jan.–Dec.	Jan.– June	Jan.–Sept.	Jan.–Dec.
Net sales	907.9	1,484.0	2,059.6	0.2	0.2	0.2	908.1	1,484.2	2,059.8
Royalty, license and commission income	0.7	0.8	0.9	–0.7	–0.8	–0.9	–	–	–
Total revenues	**908.6**	**1,484.8**	**2,060.5**	**–**	**–**	**–**	**–**	**–**	**–**
Cost of sales	–403.0	–704.0	–983.2	–	–	–	–403.0	–704.0	–983.2
(of which: amortization of intangible assets)	*(–1.3)*	*(–19.4)*	*(–46.4)*	*(–)*	*(–)*	*(–)*	*(–1.3)*	*(–19.4)*	*(–46.4)*
Gross profit	**505.6**	**780.8**	**1,077.3**	**–0.6**	**–0.6**	**–0.6**	**505.0**	**780.3**	**1,076.6**
Marketing and selling expenses	–83.1	–127.3	–177.8	–1.7	–2.3	–1.1	–84.8	–129.6	–178.8
(of which: amortization of intangible assets)	*(–5.5)*	*(–8.2)*	*(–11.7)*	*(–)*	*(–)*	*(–)*	*(–5.5)*	*(–8.2)*	*(–11.7)*
Royalty, license and commission expenses	–1.7	–2.3	–1.1	1.7	2.3	1.1	–	–	–
Administration expenses	–22.5	–40.9	–56.1	–	–	–	–22.5	–40.9	–56.1
Research and development costs	–76.3	–122.3	–170.6	–	–	–	–76.3	–122.3	–170.6
(of which: amortization of intangible assets)	*(–1.4)*	*(–2.1)*	*(–2.8)*	*(–)*	*(–)*	*(–)*	*(–1.4)*	*(–2.1)*	*(–2.8)*
Other operating expenses and income	–32.9	–46.8	–60.2	0.6	0.6	0.6	–32.3	–46.2	–59.6
Operating result (EBIT)	**289.2**	**441.3**	**611.5**	**–**	**–**	**–**	**289.2**	**441.3**	**611.5**
EBITDA	**356.9**	**574.5**	**803.6**	**–**	**–**	**–**	**356.9**	**574.5**	**803.6**
EBITDA pre exceptionals	**412.8**	**655.7**	**894.8**	**–**	**–**	**–**	**412.8**	**655.7**	**894.8**
Margin (% of net sales)	45.5	44.2	43.4	–	–	–	45.5	44.2	43.4

Earnings per share

Basic earnings per share are calculated by dividing the profit after tax attributable to the shareholders of Merck KGaA, Darmstadt, Germany, by the weighted average number of theoretical shares outstanding. The calculation of the theoretical number of shares is based on the fact that the general partner's equity capital is not represented by shares. The share capital of € 168.0 million was divided into 129,242,252 shares. Accordingly, the general partner's capital of € 397.2 million was divided into 305,535,626 theoretical shares. Overall, the total capital thus amounted to € 565.2 million or 434,777,878 theoretical shares outstanding. The weighted average number of shares was likewise 434,777,878 in the first quarter of 2015.

As of March 31, 2015, there were no potentially dilutive shares. Diluted earnings per share corresponded to basic earnings per share.

Subsequent to the resolution passed by the Annual General Meeting of Merck KGaA, Darmstadt, Germany, on May 9, 2014 approving a share split in a ratio of 1:2, the no-par-value shares with a pro rata amount of the share capital of € 2.60 each were divided into two shares with a pro rata amount of the share capital of € 1.30 each. The previous year's figures for basic and diluted earnings per share have been retroactively adjusted owing to the share split as of June 30, 2014.

Information on the measurement of fair value

On the reporting date, assets classified as available-for-sale financial assets and derivative financial instruments were measured at fair value.

Derivative financial instruments are used exclusively to hedge and reduce the risks of interest rate and foreign exchange positions.

The following derivative financial instruments were held as of the balance sheet date:

	Nominal volume		Fair value	
€ million	March 31, 2015	Dec. 31, 2014	March 31, 2015	Dec. 31, 2014
Cash flow hedge	11,591.8	10,041.8	1,193.3	313.4
Interest	650.0	650.0	–108.8	–99.9
Currency	10,941.8	9,391.8	1,302.1	413.3
Fair value hedge	–	–	–	–
Interest	–	–	–	–
Currency	–	–	–	–
No hedge accounting	2,716.2	3,682.6	–6.9	9.4
Interest	–	–	–	–
Currency	2,716.2	3,682.6	–6.9	9.4
	14,308.0	**13,724.4**	**1,186.4**	**322.8**

The maturity structure of the hedging transactions (nominal volume) were as follows as of the balance sheet date:

€ million	Remaining maturity less than 1 year	Remaining maturity more than 1 year	Total March 31, 2015	Remaining maturity less than 1 year	Remaining maturity more than 1 year	Total Dec. 31, 2014
Foreign exchange contracts	12,844.2	637.5	13,481.7	11,942.6	433.9	12,376.5
Currency options	132.7	43.6	176.3	653.1	44.8	697.9
Interest rate swaps	100.0	550.0	650.0	100.0	550.0	650.0
	13,076.9	**1,231.1**	**14,308.0**	**12,695.7**	**1,028.7**	**13,724.4**

The forward exchange contracts and currency options entered into to reduce the exchange rate risk primarily served to hedge future cash flows as well as to hedge intercompany financing in foreign currency.

The following table presents the reconciliation of the balance sheets items to the classes of financial instruments in accordance with IFRS 7 and provides information on fair value measurement:

€ million	Carrying amount March 31, 2015	Subsequent measurement according to IAS 39			Carrying value according to IAS 17	Non-financial items
		Amortized cost	At cost	Fair value		
Assets						
Cash and cash equivalents	5,943.0	5,943.0	–	–	–	–
Current financial assets	1,896.8	28.6	–	1,868.2	–	–
Held for trading (non-derivative)	–	–	–	–	–	–
Derivatives without a hedging relationship	18.9	–	–	18.9	–	–
Held to maturity	25.7	25.7	–	–	–	–
Loans and receivables	2.9	2.9	–	–	–	–
Available for sale	1,849.3	–	–	1,849.3	–	–
Derivatives with a hedging relationship	–	–	–	–	–	–
Trade accounts receivable	2,482.3	2,482.3	–	–	–	–
Loans and receivables	2,482.3	2,482.3	–	–	–	–
Other current and non-current assets	2,229.3	89.6	–	1,492.6	–	647.1
Derivatives without a hedging relationship	0.6	–	–	0.6	–	–
Loans and receivables	89.6	89.6	–	–	–	–
Derivatives with a hedging relationship	1,492.0	–	–	1,492.0	–	–
Non-financial items	647.1	–	–	–	–	647.1
Non-current financial assets	110.3	13.7	69.8	26.8	–	–
Derivatives without a hedging relationship	–	–	–	–	–	–
Held to maturity	–	–	–	–	–	–
Loans and receivables	13.7	13.7	–	–	–	–
Available for sale	96.6	–	69.8	26.8	–	–
Derivatives with a hedging relationship	–	–	–	–	–	–
Liabilities						
Current and non-current financial liabilities	7,918.3	7,738.3	–	173.9	6.1	–
Derivatives without a hedging relationship	22.1	–	–	22.1	–	–
Other liabilities	7,738.3	7,738.3	–	–	–	–
Derivatives with a hedging relationship	151.8	–	–	151.8	–	–
Financial leasing liabilities	6.1	–	–	–	6.1	–
Trade accounts payable	1,609.7	1,609.7	–	–	–	–
Other liabilities	1,609.7	1,609.7	–	–	–	–
Other current and non-current liabilities	2,406.6	548.5	–	151.2	–	1,706.9
Derivatives without a hedging relationship	4.4	–	–	4.4	–	–
Other liabilities	548.5	548.5	–	–	–	–
Derivatives with a hedging relationship	146.8	–	–	146.8	–	–
Non-financial items	1,706.9	–	–	–	–	1,706.9

[1] Some of the figures as of Dec. 31, 2014 have been adjusted.

		Subsequent measurement according to IAS 39					
Fair value March 31, 2015	Book value Dec. 31, 2014[1]	Amortized cost[1]	At cost	Fair value	Carrying value according to IAS 17	Non-financial items	Fair value Dec. 31, 2014[1]
5,943.0	2,878.5	2,878.5	–	–	–	–	2,878.5
	2,199.4	24.6	–	2,174.8	–	–	
–	–	–	–	–	–	–	–
18.9	39.8	–	–	39.8	–	–	39.8
25.7	21.7	21.7	–	–	–	–	21.7
2.9	2.9	2.9	–	–	–	–	2.9
1,849.3	2,135.0	–	–	2,135.0	–	–	2,135.0
–	–	–	–	–	–	–	–
	2,219.5	2,219.5	–	–	–	–	
2,482.3	2,219.5	2,219.5	–	–	–	–	2,219.5
	1,282.8	168.5	–	471.4	–	642.9	
0.6	0.7	–	–	0.7	–	–	0.7
89.6	168.5	168.5	–	–	–	–	168.5
1,492.0	470.7	–	–	470.7	–	–	470.7
	642.9	–	–	–	–	642.9	
	94.4	13.7	66.9	13.8	–	–	
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
13.7	13.7	13.7	–	–	–	–	13.7
26.8	80.7	–	66.9	13.8	–	–	13.8
–	–	–	–	–	–	–	–

	5,637.0	5,477.5	–	153.0	6.5	–	
22.1	25.4	–	–	25.4	–	–	25.4
8,223.4	5,477.5	5,477.5	–	–	–	–	5,835.6
151.8	127.6	–	–	127.6	–	–	127.6
6.1	6.5	–	–	–	6.5	–	6.5
	1,539.4	1,539.4	–	–	–	–	
1,609.7	1,539.4	1,539.4	–	–	–	–	1,539.4
	2,356.6	696.1	–	35.4	–	1,625.1	
4.4	5.7	–	–	5.7	–	–	5.7
548.5	696.1	696.1	–	–	–	–	696.1
146.8	29.7	–	–	29.7	–	–	29.7
	1,625.1	–	–	–	–	1,625.1	

The fair value of financial assets and liabilities is based on the official market prices and market values quoted on the balance sheet date (Level 1 assets and liabilities) as well as mathematical calculation models with inputs observable in the market on the balance sheet date (Level 2 assets and liabilities). Level 1 assets comprise stocks and bonds and are classified as "available-for-sale", Level 1 liabilities comprise issued bonds and are classified as "other liabilities". Level 2 assets and liabilities are primarily liabilities to banks classified as "other liabilities", interest-bearing securities classified as "available-for-sale" as well as derivatives with and without hedging relationships. The fair values of interest-bearing securities and of "other liabilities" are determined by discounting future cash flows using market interest rates. The fair value measurement of forward exchange contracts and currency options uses spot and forward rates as well as foreign exchange volatilities applying recognized mathematical principles. The fair value of interest rate swaps is determined with standard market valuation models using interest rate curves available in the market.

Level 3 assets comprise financial investments in equity instruments classified as available-for-sale. These relate to minority interests in a partnership. The fair value of these interests was determined through an internally performed valuation using the discounted cash flow method. Expected future cash flows based on the company's latest medium-term planning were taken into account. The planning relates to a period of five years. The discount rate used (after taxes) was 7.0%.

Counterparty credit risk is taken into consideration for all valuations. In the case of non-derivative financial instruments such as other liabilities or interest-bearing securities, credit risk is taken into account by adding risk-appropriate premiums to the discount rate. In the case of derivative transactions, credit risk is taken into account by means of fair value discounts, so-called credit valuation adjustments and debit valuation adjustments.

The fair value of available-for-sale investments in equity instruments with a carrying amount of € 69.8 million (Dec. 31, 2014: € 66.9 million) could not be reliably determined since there was no quoted price for an identical instrument in the market. Measurement proceeded at cost. Financial investments primarily include equity investments in various companies. There is no intention to sell these financial instruments. The Group had no information on a market for these financial instruments.

The fair values of the financial instruments disclosed in the balance sheet and the fair values deviating substantially from the carrying amount were determined as follows:

€ million *March 31, 2015*	Assets	Liabilities
Fair value determined by official prices and quoted market values (Level 1)	**851.1**	**7,431.7**
thereof available-for-sale	851.1	–
thereof other liabilities	–	7,431.7
Fair value determined using inputs observable in the market (Level 2)	**2,524.3**	**1,116.8**
thereof available-for-sale	1,012.8	–
thereof derivatives with a hedging relationship	1,492.0	298.6
thereof derivatives without a hedging relationship	19.5	26.5
thereof other liabilities	–	791.7
Fair value determined using inputs unobservable in the market (Level 3)	**12.2**	**–**
thereof available-for-sale	12.2	–

€ million *December 31, 2014*	Assets	Liabilities
Fair value determined by official prices and quoted market values (Level 1)	**1,178.6**	**4,970.2**
thereof available-for-sale	1,178.6	–
thereof other liabilities	–	4,970.2
Fair value determined using inputs observable in the market (Level 2)	**1,470.1**	**1,053.8**
thereof available-for-sale	958.9	–
thereof derivatives with a hedging relationship	470.7	157.3
thereof derivatives without a hedging relationship	40.5	31.1
thereof other liabilities	–	865.4
Fair value determined using inputs unobservable in the market (Level 3)	**11.3**	**–**
thereof available-for-sale	11.3	–

The changes in financial assets allocated to Level 3 and measured at fair value were as follows:

€ million	2015	2014
Net book values on Jan. 1, 2015/Jan. 1, 2014	**11.3**	**–**
Additions due to the acquisition of AZ Electronic Materials S.A.	–	10.8
Transfers into Level 3 out of Level 1/Level 2	–	–
Fair value changes		
Gains (+)/losses (–) recognized in profit or loss	–	–
Gains (+)/losses (–) recognized in other comprehensive income	0.9	0.5
Divestments	–	–
Transfers out of Level 3 into Level 1/Level 2	–	–
Net book value as of March 31, 2015/December 31, 2014	**12.2**	**11.3**

Gains and losses from Level 3 assets are reported in other comprehensive income in the consolidated statement of comprehensive income under the item “fair value adjustments” related to available-for-sale financial assets. If the discount factor used for fair value determination had been one percentage point higher, other comprehensive income would have decreased by € 2.6 million. By contrast, a decline in the discount factor by one percentage point would have increased other comprehensive income by € 3.7 million.

Related-party disclosures

As of March 31, 2015, there were liabilities by Merck Financial Services GmbH, a subsidiary of Merck KGaA, Darmstadt, Germany, and Merck KGaA, Darmstadt, Germany, to E. Merck KG, Darmstadt, Germany, in the amount of € 820.2 million as well as liabilities of Merck Financial Services GmbH, a subsidiary of Merck KGaA, Darmstadt, Germany, to Merck Capital Asset Management, Malta, which is part of the Contractual Trust Arrangement of Merck KGaA, Darmstadt, Germany, and other companies of the Group and Merck Capital Asset Management Holding, Malta, which is part of the Contractual Trust Arrangement of Merck KGaA,Darmstadt, Germany, and other companies of the Group amounting to € 0.1 million. In addition, as of March 31, 2015, there were receivables by Merck Financial Services GmbH, a subsidiary of Merck KGaA, Darmstadt, Germany, to E. Merck KG, Darmstadt, Germany, in the amount of € 11.0 million as well as by Merck KGaA, Darmstadt, Germany, to E. Merck Beteiligungen KG, Darmstadt, Germany, in the amount of € 1.4 million. The balances resulted mainly from the profit transfers by Merck & Cie, Altdorf, Switzerland, a subsidiary of Merck KGaA, Darmstadt, Germany, to E. Merck KG, Darmstadt, Germany, as well as the reciprocal profit transfers between Merck KGaA, Darmstadt, Germany, and E. Merck KG, Darmstadt, Germany. They included financial liabilities of € 440.1 million, which were subject to standard market interest rates.

From January to March 2015, Merck KGaA, Darmstadt, Germany, performed services for E. Merck KG, Darmstadt, Germany, and Emanuel-Merck-Vermögens-KG, Darmstadt, Germany,with a value of € 0.2 million and € 0.1 million, respectively.

Subsequent events

Subsequent to the balance sheet date, no events of special importance occurred that could have a material impact on the net assets, financial position and results of operations of the Group.

Darmstadt, May 13, 2015

KARL-LUDWIG KLEY

KAI BECKMANN

BELÉN GARIJO LOPEZ

MARCUS KUHNERT

STEFAN OSCHMANN

BERND RECKMANN

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