

## Q3 2016 Financial Summary for Investors and Analysts

### Sound financial performance

- Healthcare – positive organic growth, high profitability and pipeline on track
- Life Science – healthy growth dynamics and faster synergy realization
- Performance Materials – strong profitability despite display destocking
- Acquisition-driven sales growth of 19.3%; EBITDA pre up 24.3% to €1,174 m
- EBITDA pre margin increases to 31.5% driven by Life Science growth, Sigma synergies, release of R&D provisions and higher royalty income
- Guidance upgrade: EBITDA pre €4,450 – 4,600 m, EPS pre €6.15 – 6.40

### Overview Financials

#### Q3 2016 Overview

- EBITDA pre increase driven by Sigma, end of Rebif commission expenses, R&D provision release and higher royalties
- EPS pre up due to EBITDA pre increase and improved financial result
- Strong operating cash flow from EBITDA pre progression and improved working capital in Q3
- Net financial debt reduction reflects strong focus on deleveraging
- Working capital increase in line with higher level of business activity

#### Q3 2016 Balance Sheet

- Ongoing amortization of Sigma-related intangible assets
- Significant reduction of financial debt
- Decline in interest rates drives increase in pension provisions

#### Q3 2016 Cash flow Statement

- D&A increases due to Sigma
- Other assets/liabilities include higher tax payments due to higher profits
- Changes in working capital driven by improved inventory and receivable management
- LY investing cash flow contained sale of financial assets for Sigma purchase
- Capex higher due to HQ & Sigma; FY guidance unchanged
- Financing cash flow reflects repayment of debt; LY included ~€2 bn eurobond issuance

## Q3 2016 Business Overview

### Healthcare

- **Higher profitability amid positive organic growth**
- Net sales deviation YoY: organic +1.3%, FX -1.4%, portfolio -1.0%
- Organic decline of Rebif from volume erosion in Europe and U.S. outweighs U.S. pricing and sound development of PDP<sup>1</sup> in Brazil
- Erbitux organically flat as EU pricing and competition offsets volume growth in China, Middle East and Latin America
- Fertility portfolio remains strong, especially in U.S. and China
- Softer Glucophage impacted by phasing and macro trends in MEA<sup>2</sup>
- Marketing & selling reflects end of commission expenses for Rebif (U.S.) partially offset by reinvestments in salesforce & launch preparations
- R&D spend contains ~€ 40 m release of pipeline termination provisions
- Higher EBITDA pre due to end of Rebif commissions, R&D provision release & higher royalties

### Life Science

- **Solid organic growth built on strong base**
- Net sales deviation YoY: organic +5.7%, FX 0.0%, portfolio +77.4%
- Process Solutions shows double-digit growth especially driven by strong demand for filtration & single-use products in all key markets
- Moderate organic growth of Applied Solutions, as demand for pharma biomonitoring & for analytical testing outweighs lower instrument sales
- Research Solutions organically flat, as growth in Emerging Markets is offset by slower demand in Europe and large one-time orders last year
- Absolute costs higher due to Sigma, but improve in relation to sales
- Strong profitability reflects Sigma, business mix and faster synergy ramp-up

### Performance Materials

- **Sound performance despite display destocking**
- Net sales deviation YoY: organic -5.8%, FX 1.0%, portfolio +3.5%
- LC shows expected impact from display destocking and ongoing decline of mature technologies (TN-TFT)
- Industry supply chain inventories back to normal levels in Q4
- Strong growth of Integrated Circuit Materials in all major material classes driven by increasing chip complexity and wafer volumes
- Solid growth of Pigments & Functionals due to demand for automotive coating pigments and active cosmetic ingredients
- Resiliently strong profitability reflects leading market position in four high-margin businesses

<sup>1</sup>Productive Development Partnership; <sup>2</sup>Middle East & Africa

## Guidance for 2016

### Group:

- EBITDA pre: ~ €4,450 – 4,600 m
- Net sales: ~ €14.9 – 15.1 bn
- EPS pre: ~ €6.15 – 6.40

### Outlook by business sector:

#### Healthcare

- Net sales: Solid organic growth, organic Rebif decline, strong growth in Fertility, other franchises growing
- EBITDA pre: ~ €2,100 – 2,200 m

#### Life Science

- Net sales: Mid to high single-digit organic growth, main driver Process Solutions, high double-digit contribution from Sigma
- EBITDA pre: ~ €1,640 – 1,670 m

#### Performance Materials

- Net sales: Moderate organic decline, improving macro signs amid display industry destocking in LC, growing demand in all businesses
- EBITDA pre: ~ €1,100 – 1,150 m

#### Additional financial guidance

- Corporate & Other EBITDA pre ~ -€370 – -400 m
- Interest result ~ -€270 – -300 m
- Intangibles amortization from Sigma PPA ~ €250 – 300 m p.a.
- Underlying tax rate ~ 23% to 25%
- Capex on PPE ~ €750 – 800 m
- Hedging/USD assumption **2016 & 2017 hedge ratio ~40-45%  
at EUR/USD ~ 1.11 to 1.16**
- 2016 Ø EUR/USD assumption ~ 1.09 – 1.12

# Merck KGaA

Darmstadt, Germany

## Group Q3

€ m	Group			Healthcare			Life Science			Performance Materials			Corporate/Others		
	Q3 2015	Q3 2016	% YoY	Q3 2015	Q3 2016	% YoY	Q3 2015	Q3 2016	% YoY	Q3 2015	Q3 2016	% YoY	Q3 2015	Q3 2016	% YoY
Net sales	3,120	3,724	19%	1,708	1,689	-1%	759	1,391	83%	653	645	-1%			
<b>% organic</b>			<b>1%</b>			<b>1%</b>			<b>6%</b>			<b>-6%</b>			
% FX			-1%			-1%			0%			1%			
% portfolio			19%			-1%			77%			4%			
EBIT	564	676	20%	349	375	8%	97	216	>100%	233	213	-8%	-115	-128	12%
Depreciation and amortization	337	434	29%	189	185	-3%	83	183	>100%	59	60	2%	5	6	20%
EBITDA	901	1,110	23%	538	560	4%	180	399	>100%	292	274	-6%	-109	-122	11%
Exceptionals in EBITDA	43	63	46%	-1	5	n.m.	21	25	18%	5	8	44%	17	25	44%
<b>EBITDA pre</b>	<b>944</b>	<b>1,174</b>	<b>24%</b>	<b>537</b>	<b>565</b>	<b>5%</b>	<b>201</b>	<b>424</b>	<b>&gt;100%</b>	<b>298</b>	<b>282</b>	<b>-5%</b>	<b>-92</b>	<b>-97</b>	<b>5%</b>
Net financial debt	12,654 *	11,649	-8%												

\* as per 31 December

Totals may not add up due to rounding

## Group 9M

€ m	Group			Healthcare			Life Science			Performance Materials			Corporate/Others		
	9M 2015	9M 2016	% YoY	9M 2015	9M 2016	% YoY	9M 2015	9M 2016	% YoY	9M 2015	9M 2016	% YoY	9M 2015	9M 2016	% YoY
Sales	9,381	11,194	19%	5,197	5,089	-2%	2,270	4,217	86%	1,914	1,888	-1%			
<b>% organic</b>			<b>4%</b>			<b>5%</b>			<b>8%</b>			<b>-4%</b>			
% FX			-4%			-6%			-1%			0%			
% portfolio			19%			-1%			80%			3%			
EBIT	1,545	2,075	34%	884	1,314	49%	266	486	83%	685	613	-11%	-290	-338	16%
Depreciation and amortization	1,006	1,386	38%	564	633	12%	247	540	>100%	179	195	9%	16	19	19%
EBITDA	2,551	3,462	36%	1,448	1,947	34%	514	1,026	100%	864	808	-6%	-275	-319	16%
Exceptionals in EBITDA	145	-46	n.m.	30	-316	n.m.	71	207	>100%	6	21	>100%	38	42	11%
<b>EBITDA pre</b>	<b>2,696</b>	<b>3,416</b>	<b>27%</b>	<b>1,478</b>	<b>1,631</b>	<b>10%</b>	<b>585</b>	<b>1,233</b>	<b>&gt;100%</b>	<b>870</b>	<b>829</b>	<b>-5%</b>	<b>-236</b>	<b>-277</b>	<b>17%</b>
Net financial debt*	12,654	11,649	-8%												

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## Group

P&L Group	Q3 2015	Q3 2016	% YoY
<b>Net sales</b>	<b>3,120</b>	<b>3,724</b>	<b>19%</b>
Cost of sales	-939	-1,251	33%
thereof: intangibles amortization	-41	-49	19%
<b>Gross profit</b>	<b>2,182</b>	<b>2,473</b>	<b>13%</b>
Marketing and selling expenses	-976	-1,098	12%
thereof: intangibles amortization	-189	-254	34%
Administration	-157	-205	31%
Other operating income/expenses	-67	-51	-24%
Research and development	-417	-443	6%
<b>EBIT</b>	<b>564</b>	<b>676</b>	<b>20%</b>
Depreciation and amortization	337	434	29%
EBITDA	901	1,110	23%
Exceptionals in EBITDA	43	63	46%
<b>EBITDA pre</b>	<b>944</b>	<b>1,174</b>	<b>24%</b>
Financial result	-81	-67	-18%
<b>Profit before tax</b>	<b>482</b>	<b>609</b>	<b>26%</b>
Income tax	-117	-149	28%
Income tax rate	24%	24%	
Profit after tax discontinued operations	0	0	n.m.
Profit after tax	366	460	26%
Non-controlling interests	-2	-4	>100%
<b>Net income</b>	<b>364</b>	<b>457</b>	<b>26%</b>
Number of theoretical shares in million	434.8	434.8	
EPS in €	0.84	1.05	25%
EPS pre in €	1.32	1.70	29%

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## Healthcare

P&L Healthcare	Q3 2015	Q3 2016	% YoY
<b>Net sales</b>	<b>1,708</b>	<b>1,689</b>	<b>-1%</b>
Cost of sales	-334	-349	5%
thereof: intangibles amortization	0	0	n.m.
<b>Gross profit</b>	<b>1,374</b>	<b>1,339</b>	<b>-3%</b>
Marketing and selling expenses	-683	-623	-9%
thereof: intangibles amortization	-145	-140	-3%
Administration	-60	-65	9%
Other operating income/expenses	39	45	15%
Research and development	-322	-322	0%
<b>EBIT</b>	<b>349</b>	<b>375</b>	<b>8%</b>
Depreciation and amortization	189	185	-3%
<b>EBITDA</b>	<b>538</b>	<b>560</b>	<b>4%</b>
Exceptionals in EBITDA	-1	5	n.m.
<b>EBITDA pre</b>	<b>537</b>	<b>565</b>	<b>5%</b>

Totals may not add up due to rounding

## Life Science

P&L Life Science	Q3 2015	Q3 2016	% YoY
<b>Net sales</b>	<b>759</b>	<b>1,391</b>	<b>83%</b>
Cost of sales	-318	-608	91%
thereof: intangibles amortization	-12	-18	44%
<b>Gross profit</b>	<b>441</b>	<b>783</b>	<b>77%</b>
Marketing and selling expenses	-238	-414	74%
thereof: intangibles amortization	-41	-109	>100%
Administration	-30	-56	88%
Other operating income/expenses	-32	-34	5%
Research and development	-45	-63	40%
<b>EBIT</b>	<b>97</b>	<b>216</b>	<b>&gt;100%</b>
Depreciation and amortization	83	183	>100%
<b>EBITDA</b>	<b>180</b>	<b>399</b>	<b>&gt;100%</b>
Exceptionals in EBITDA	21	25	18%
<b>EBITDA pre</b>	<b>201</b>	<b>424</b>	<b>&gt;100%</b>

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## Performance Materials

P&L Performance Materials	Q3 2015	Q3 2016	% YoY
<b>Net sales</b>	<b>653</b>	<b>645</b>	<b>-1%</b>
Cost of sales	-287	-295	3%
thereof: intangibles amortization	-28	-31	9%
<b>Gross profit</b>	<b>366</b>	<b>350</b>	<b>-4%</b>
Marketing and selling expenses	-54	-59	9%
thereof: intangibles amortization	-3	-5	38%
Administration	-16	-14	-11%
Other operating income/expenses	-13	-8	-38%
Research and development	-50	-55	11%
<b>EBIT</b>	<b>233</b>	<b>213</b>	<b>-8%</b>
Depreciation and amortization	59	60	2%
<b>EBITDA</b>	<b>292</b>	<b>274</b>	<b>-6%</b>
Exceptionals in EBITDA	5	8	44%
<b>EBITDA pre</b>	<b>298</b>	<b>282</b>	<b>-5%</b>

Totals may not add up due to rounding