



# Merck KGaA, Darmstadt, Germany – Berenberg European Conference 2014

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**Merck KGaA**  
Darmstadt · Germany

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Risks and uncertainties relating to the proposed transaction with Sigma-Aldrich Corporation (“Sigma-Aldrich”) include, but are not limited to: the risk Sigma-Aldrich’s shareholders do not approve the transaction; uncertainties as to the timing of the transaction; the risk that regulatory or other approvals required for the transaction are not obtained or are obtained subject to conditions that are not anticipated; competitive responses to the transaction; litigation relating to the transaction; uncertainty of the expected financial performance of the combined company following completion of the proposed transaction; the ability of Merck KGaA, Darmstadt, Germany, to achieve the cost-savings and synergies contemplated by the proposed transaction within the expected time frame; the ability of Merck KGaA, Darmstadt, Germany, to promptly and effectively integrate the businesses of Sigma-Aldrich and Merck KGaA, Darmstadt, Germany; the effects of the business combination of Merck KGaA, Darmstadt, Germany, and Sigma-Aldrich, including the combined company’s future financial condition, operating results, strategy and plans; the implications of the proposed transaction on certain employee benefit plans of Merck KGaA, Darmstadt, Germany, and Sigma-Aldrich; and disruption from the proposed transaction making it more difficult to maintain relationships with customers, employees or suppliers.

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The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included elsewhere, including the Report on Risks and Opportunities Section of the most recent annual report and quarterly report of Merck KGaA, Darmstadt, Germany, and the Risk Factors section of Sigma-Aldrich’s most recent reports on Form 10-K and Form 10-Q. Any forward-looking statements made in this communication are qualified in their entirety by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us or our business or operations. Except to the extent required by applicable law, we undertake no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

## Important Additional Information

This communication may be deemed to be solicitation material in respect of the proposed acquisition of Sigma-Aldrich by Merck KGaA, Darmstadt, Germany. The proposed acquisition will be submitted to the stockholders of Sigma-Aldrich for their consideration. In connection therewith, on November 3, 2014, Sigma-Aldrich filed a definitive proxy statement with the SEC. Sigma-Aldrich will also begin mailing the definitive proxy statement on November 3, 2014, to its stockholders of record as of the close of business on October 29, 2014. BEFORE MAKING ANY VOTING OR ANY INVESTMENT DECISION, INVESTORS AND STOCKHOLDERS ARE URGED TO READ THE DEFINITIVE PROXY STATEMENT REGARDING THE PROPOSED TRANSACTION AND ANY OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. Investors and stockholders may obtain free copies of the proxy statement, any amendments or supplements thereto and other documents containing important information about Sigma-Aldrich, once such documents are filed with the SEC, through the website maintained by the SEC at [www.sec.gov](http://www.sec.gov). Copies of the documents filed with the SEC by Sigma-Aldrich will be available free of charge on Sigma-Aldrich’s website at <http://investor.sigmaaldrich.com> under the heading “Financial Information—SEC Filings”. Stockholders of Sigma-Aldrich may also obtain a free copy of the definitive proxy statement by contacting Sigma-Aldrich’s Investor Relations Department at (314) 898-4643.

Sigma-Aldrich and certain of its directors, executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies in connection with the proposed transaction. Information about the directors and executive officers of Sigma-Aldrich is set forth in its proxy statement for its 2014 annual meeting of stockholders, which was filed with the SEC on March 21, 2014, its annual report on Form 10-K for the fiscal year ended December 31, 2013, which was filed with the SEC on February 6, 2014, and in subsequent documents filed with the SEC, each of which can be obtained free of charge from the sources indicated above. Other information regarding the participants in the proxy solicitation of the stockholders of Sigma-Aldrich and a description of their direct and indirect interests, by share holdings or otherwise, is contained in the definitive proxy statement and other relevant materials filed with the SEC.

# Agenda

## **Business overview**

Transforming the company

Strategy update Biopharmaceuticals

Financial guidance

# A balanced portfolio of four divisions

## Merck KGaA, Darmstadt, Germany

### Biopharmaceuticals



Leading in certain specialty pharma markets

- Life cycle management
- Biologics
- Emerging markets

### Consumer Health



Present in OTC niche markets

- Vitamins
- Supplements
- Strong presence in Latin America and Europe

### Performance Materials



No. 1 in display materials

- Customer intimacy
- Innovation power
- Cost and technology leadership

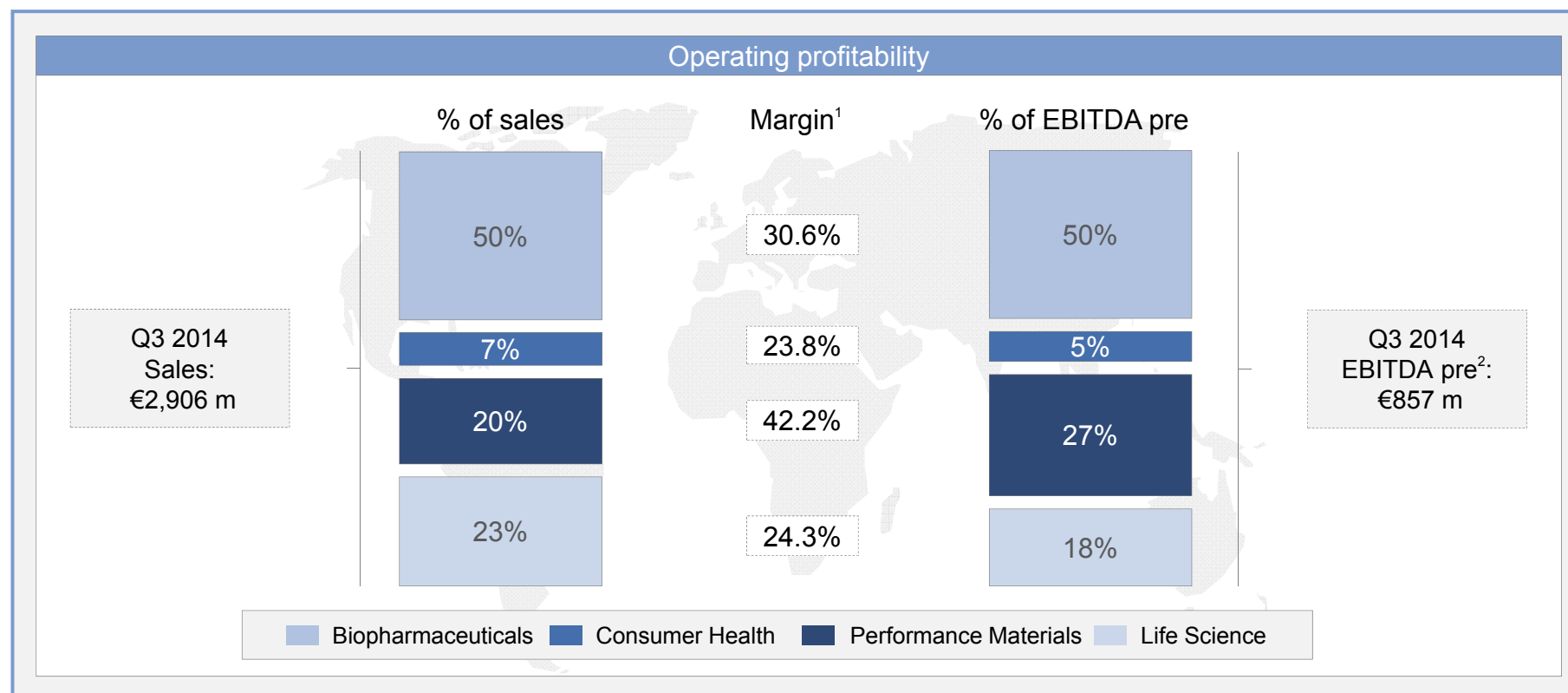
### Life Science



Top 3 in life science tools

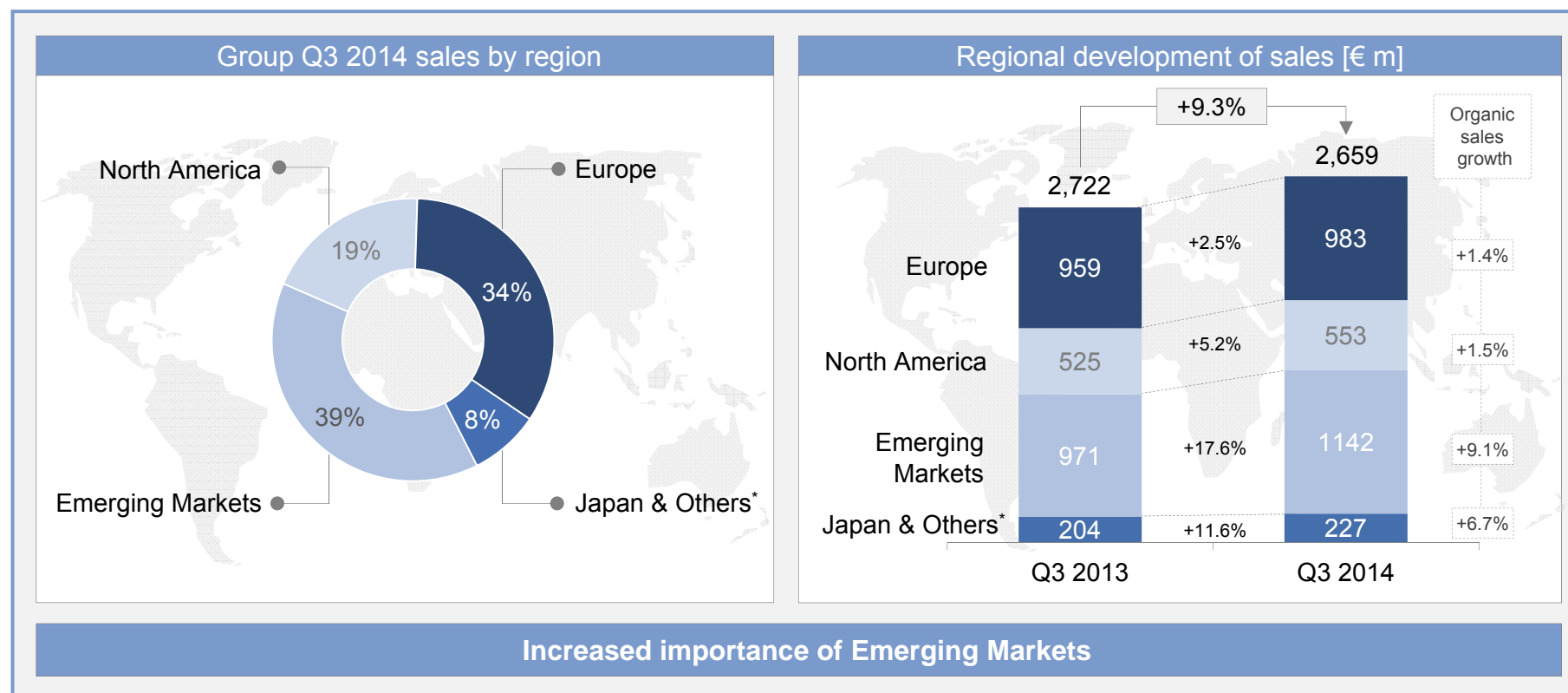
- Global presence
- Innovation
- End-to-end solutions for pharma industry

# Strong businesses with attractive margins



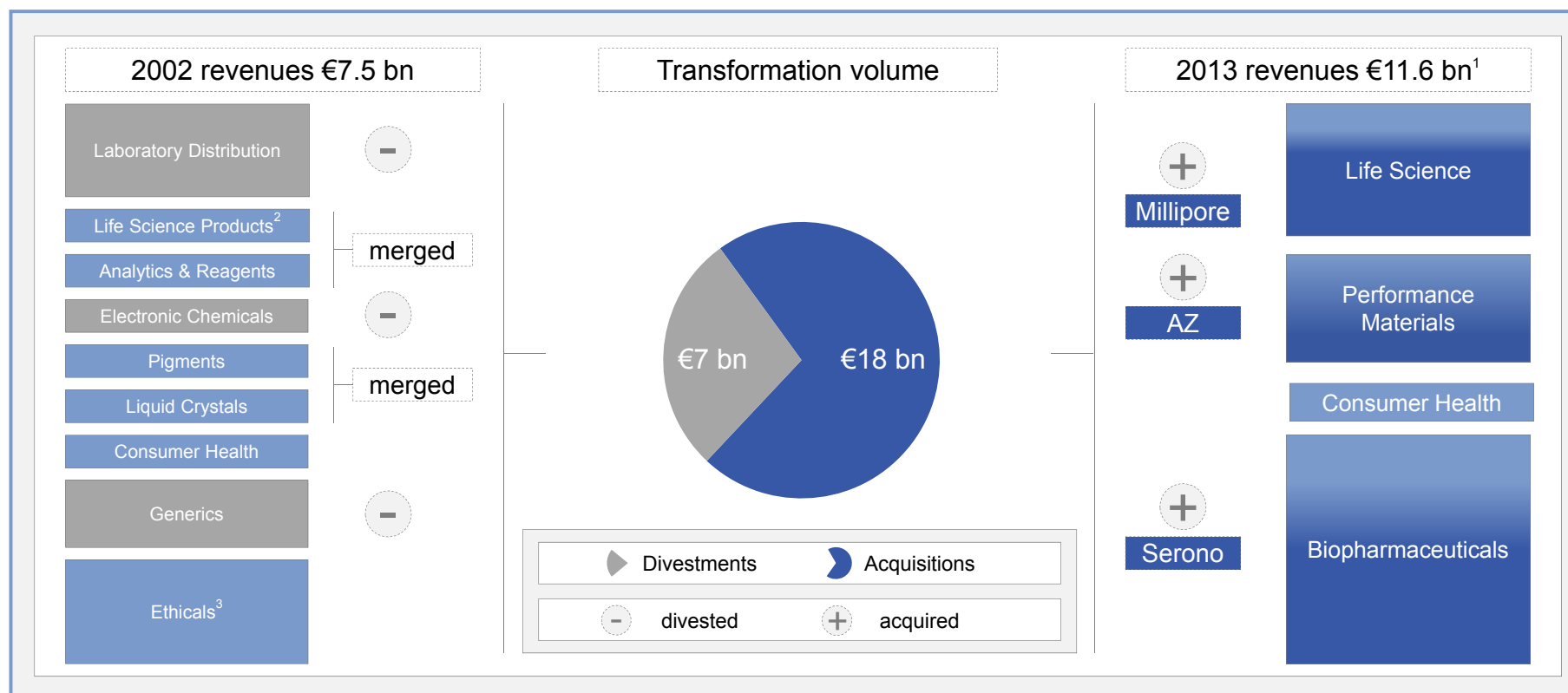
<sup>1</sup>EBITDA pre margin in % of sales; <sup>2</sup>Including Corporate/Others (-€44.1 m)  
Totals may not add up due to rounding

# Growth across all regions



\*Australia/Oceania, Africa  
Totals may not add up due to rounding

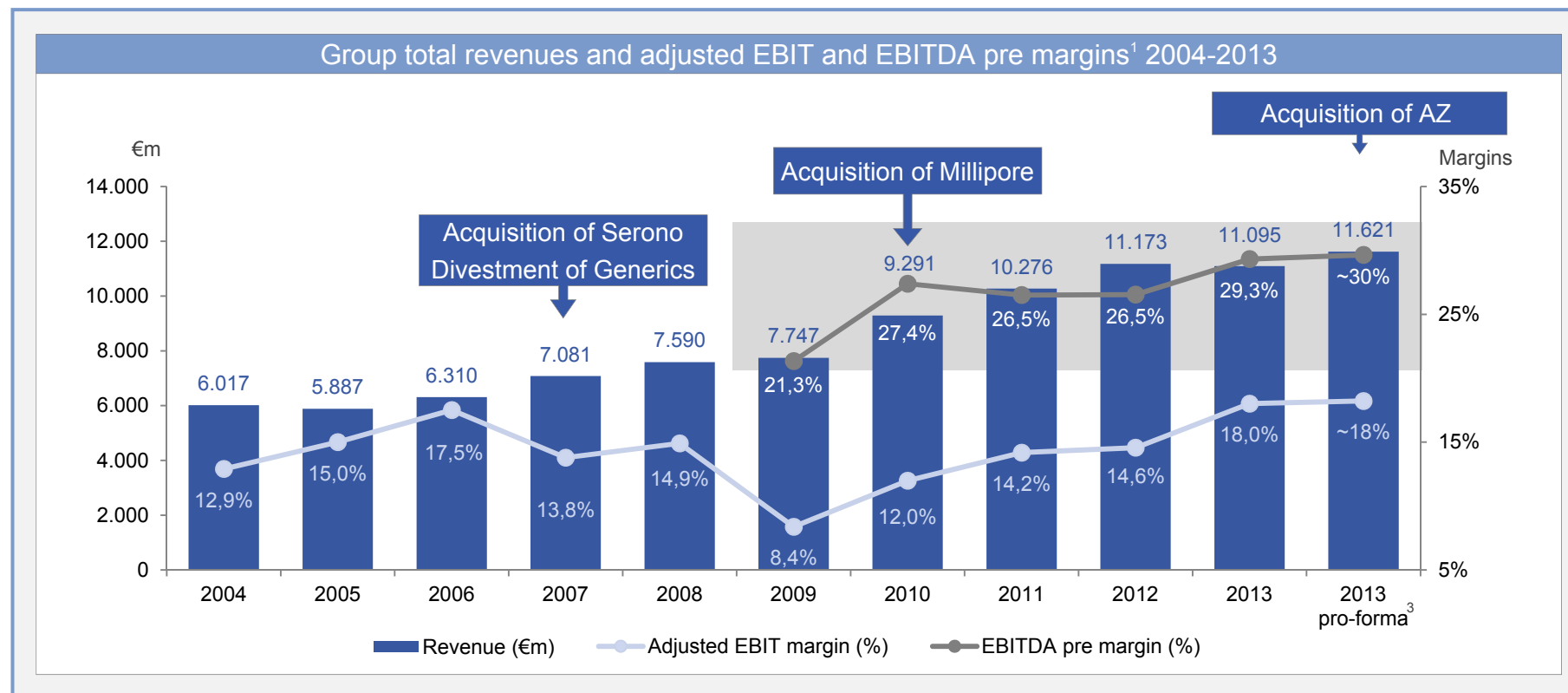
# We have added scale while strengthening the attractiveness of our portfolio



<sup>1</sup>Proforma figure including FY 2013 sales of AZ Electronic Materials acquired as of 2 May 2014, <sup>2</sup>Excluding "Crop Bioscience", which was divested; <sup>3</sup>Excluding "Theramex", which was divested



# Growth initiatives have fundamentally improved profitability

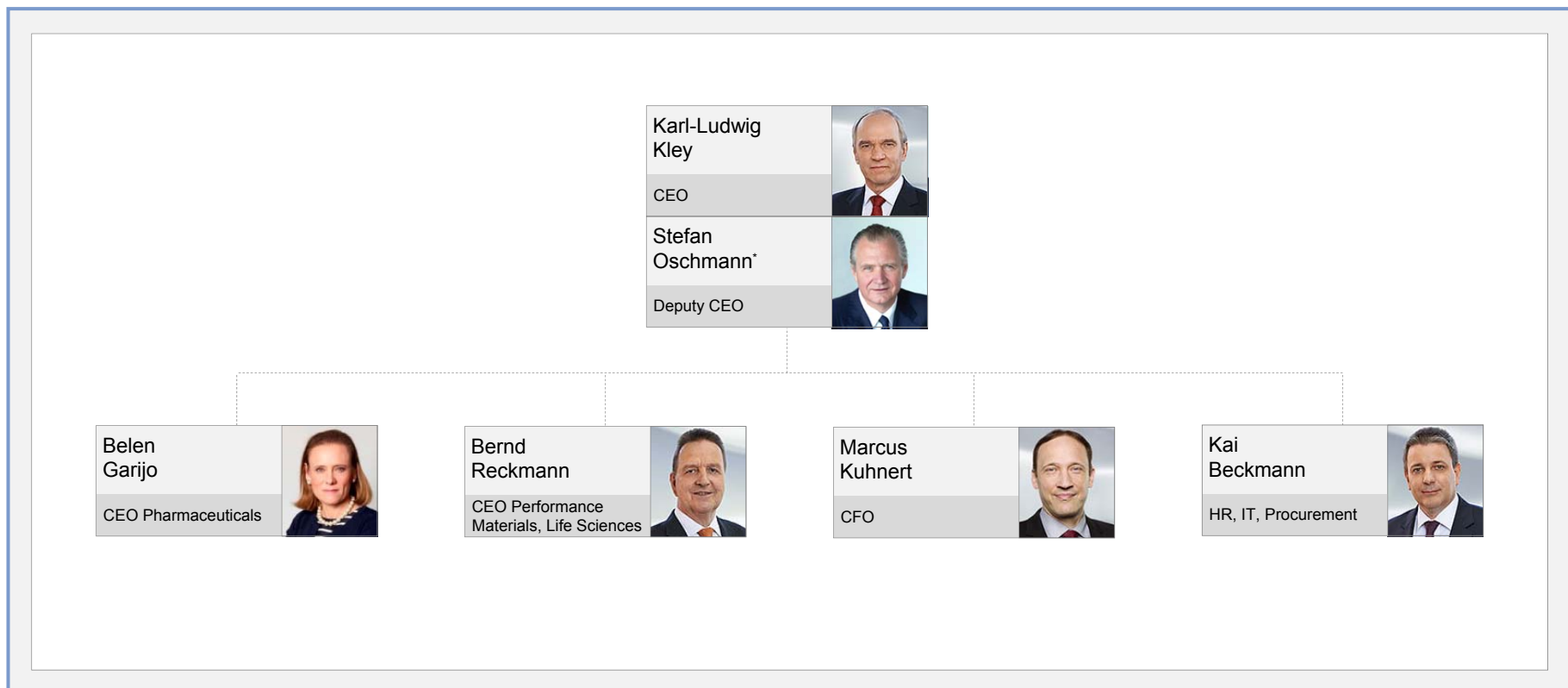


<sup>1</sup>adjusted EBIT<sup>2</sup> and EBITDA pre divided by total revenues; <sup>2</sup>adjusted EBIT is EBIT less exceptional items (e.g. impairments, integration costs, restructuring costs)

<sup>3</sup>Pro-forma calculation based on published FY 2013 results for Merck KGaA, Darmstadt, Germany (including pro-forma AZ); based on 100% expected synergies; including Corporate & Other

# Executive Board as of January 1, 2015

Merck KGaA  
Darmstadt · Germany



\*Responsibilities include Group Strategy & Organization, Regional Strategies, Public Affairs, Patents

## Agenda

Business overview

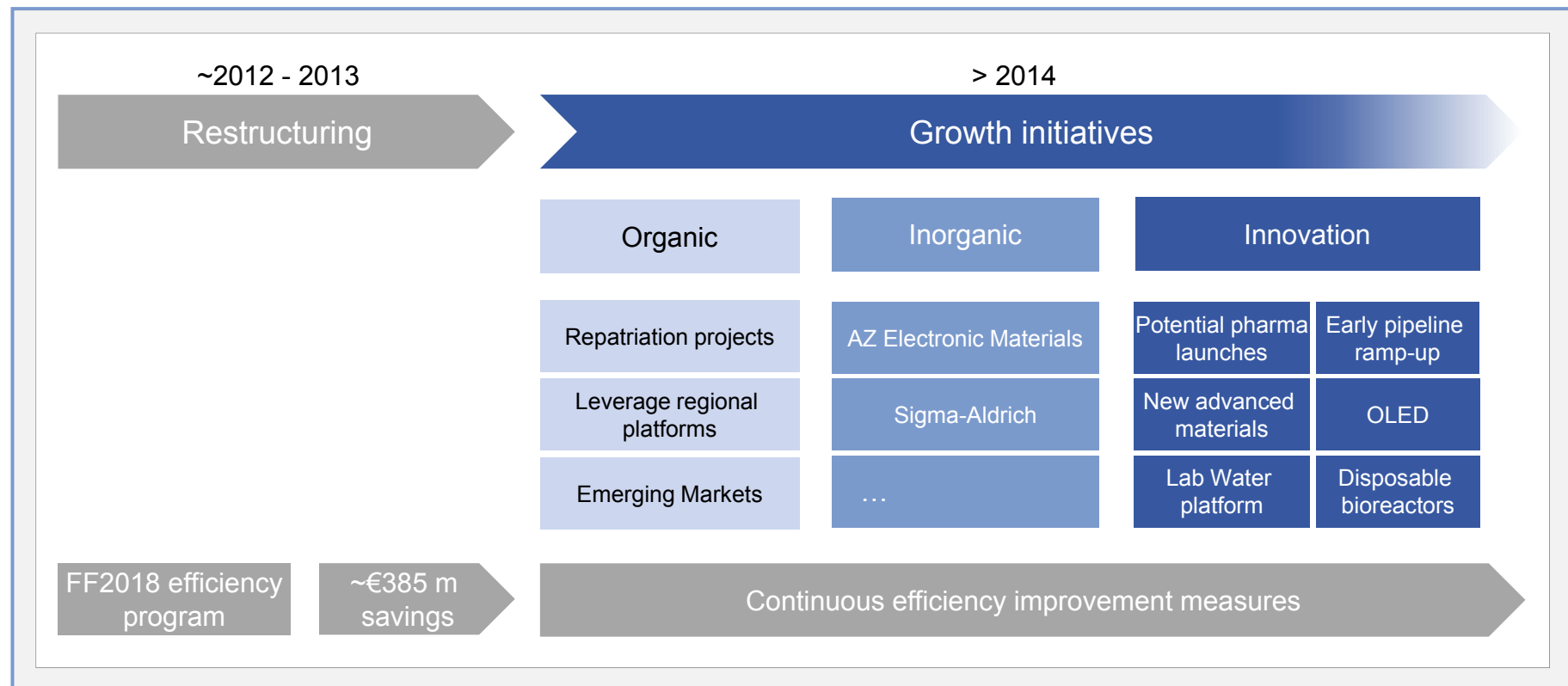
**Transforming the company**

Strategy update Biopharmaceuticals

Financial guidance

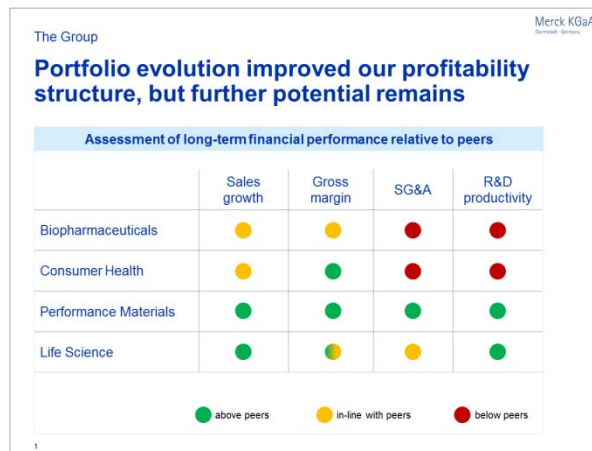
# Strategic agenda beyond 2014 – Focus on growth

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# Strong progress since 2012 but further room for efficiency improvements

May 2012

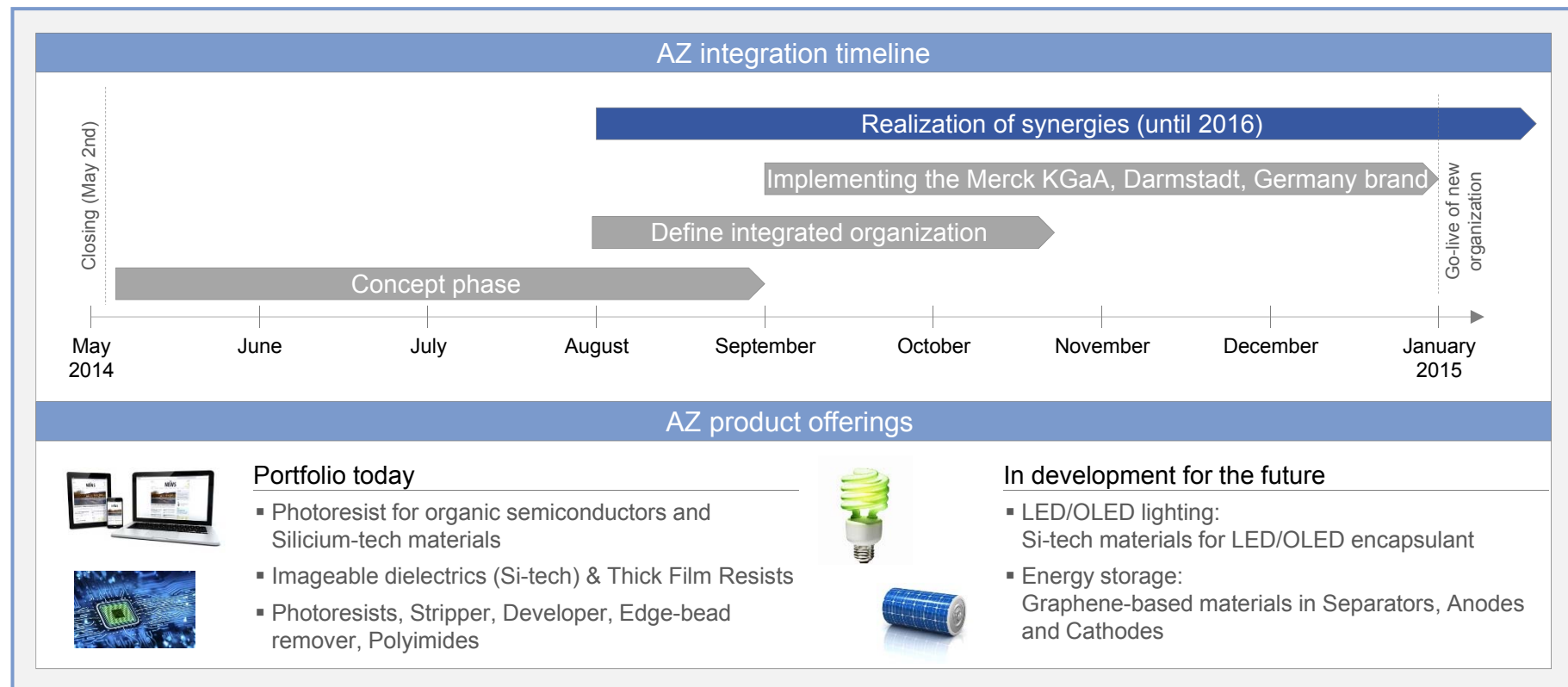


September 2014



# AZ integration well on track

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# Sigma Aldrich acquisition - a compelling transaction rationale

## Strategic and operational fit

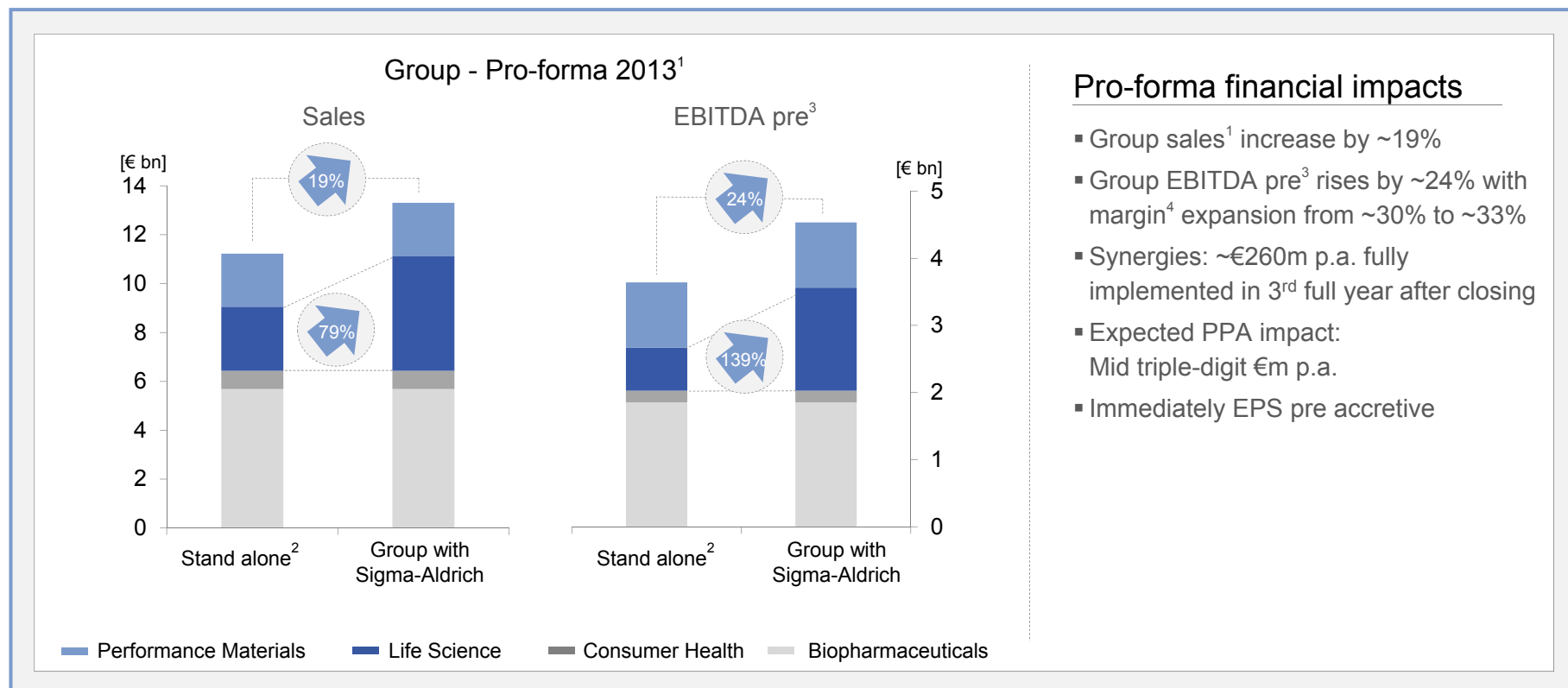
- Increasing scale – expanding position in attractive life science industry
- Enhancing value for our customers
  - Broadens product range and ease of doing business for Laboratories & Academia
  - Complements Process Solutions product offering
- Closing the gap in U.S. – adequate presence in all geographies
- Leveraging existing platforms for global innovation rollout

## Financial fit

- Further diversification of revenue stream
- Substantial synergy potential
- Immediately accretive to EPS pre\* and EBITDA margin
- Solid investment grade rating will be maintained

\*EPS pre one-time items and amortization, especially from purchase price allocation (PPA)

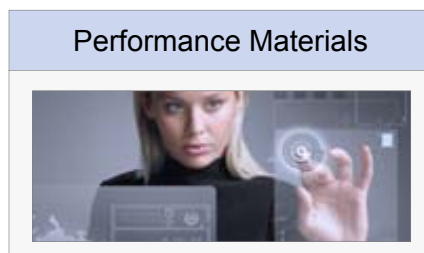
# Transaction enhances our financial profile



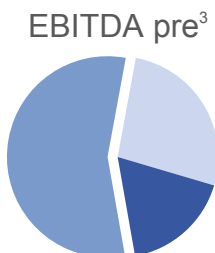
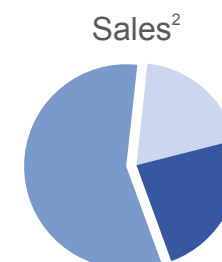
<sup>1</sup>Pro-forma calculation based on published sales for FY 2013 for Merck KGaA, Darmstadt, Germany (including pro-forma AZ Electronic Materials) and Sigma-Aldrich; <sup>2</sup>Pro-forma calculation based on published sales for FY 2013 for Merck KGaA, Darmstadt, Germany (including pro-forma AZ Electronic Materials); <sup>3</sup>Pro-forma calculation based on 100% expected synergies; excluding Corporate & Other; <sup>4</sup>Including Corporate & Other



# Our portfolio will remain diversified



- Diversification and risk management
- Attractive markets
- High-margin businesses
- Overlapping core competencies (meeting customer needs, innovation, regulated markets, quality, lifecycle management, handling of portfolio and product complexity)
- Company heritage



◆ Healthcare  
◆ Performance Materials  
◆ Life Sciences

<sup>1</sup>Healthcare includes Biopharmaceuticals and Consumer Health; <sup>2</sup>Proforma calculation based on published figures for FY 2013 for Merck KGaA, Darmstadt, Germany and AZ Electronic Materials

<sup>3</sup>Proforma calculation including AZ Electronic Materials and 100% expected synergies; excluding Corporate+Other

## Agenda

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**Strategy update Biopharmaceuticals**

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# We will differentiate our company from its peers

## Ingredients for success<sup>1</sup>

Adequate innovation resources<sup>2</sup>

Highly focused on specialty indications

Commercial strength

Global as well as Emerging Markets presence

Innovation and R&D output



## Biopharmaceuticals' ambition for 2014+

Excellence in resource allocation and R&D

High degree of differentiation

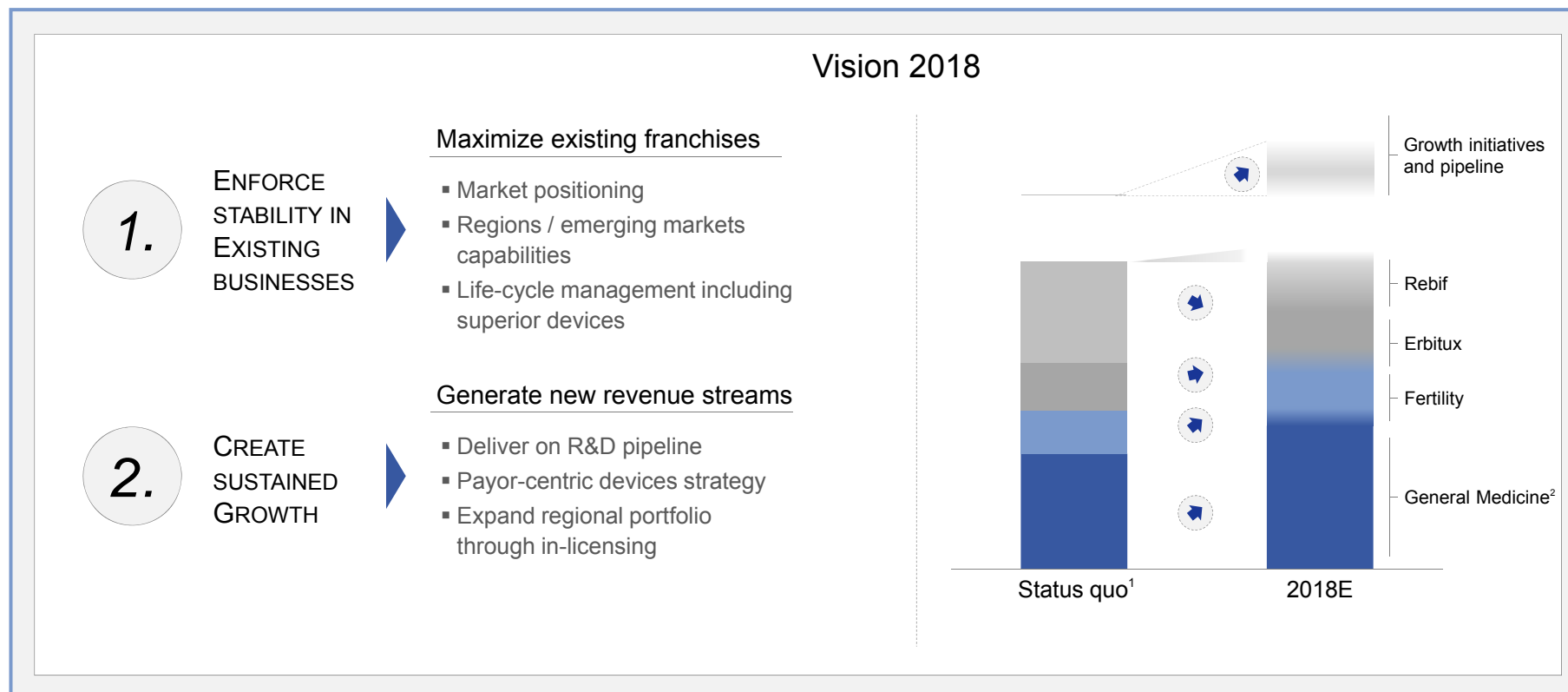
Leverage existing franchises to their full potential

Access attractive markets and participate in above-average growth

First potential pipeline contributions from 2016+ onwards

<sup>1</sup>As measured by sales growth, product launches; <sup>2</sup>E.g. mid-sized R&D budget of € 1-1.5 bn

# Strategic priorities for sustainable success: New revenue streams and maximizing existing franchises



<sup>1</sup>FY 2013; excludes Allergopharma and Biosimilars; <sup>2</sup>including Cardiometabolic Care, Endocrinology, General Medicine and Others

# The road to maximizing Biopharmaceuticals' existing franchises is clear



Continue to drive front-line mCRC share by increasing patient testing and expanding head and neck coverage



Capitalize on strong efficacy and new smart devices to maximize differentiation and defend franchise



Build on No.1 position and ART<sup>1</sup> channel access with embryo diagnostics and other innovative technologies



Harness strengths of existing business and build a new focus area driven by innovative devices and services for patients



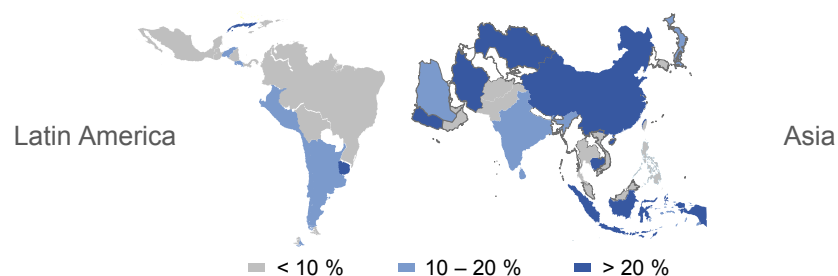
Build on existing track record in Emerging Markets, drive brand and life-cycle management and expand business including asset repatriation



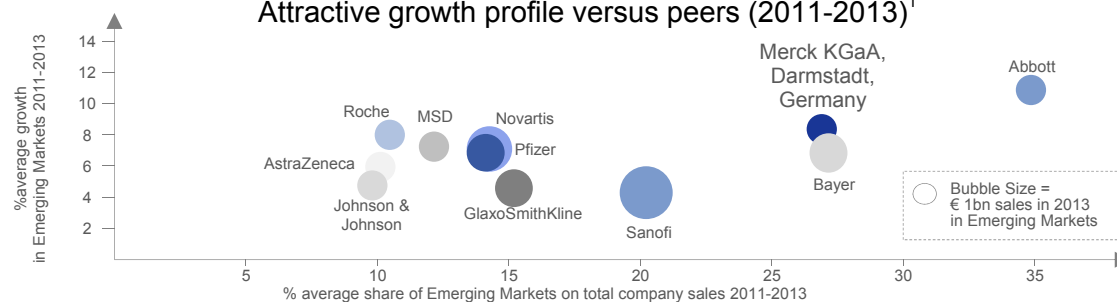
<sup>1</sup>ART = Assisted Reproductive Technology

# Emerging Markets are a key pillar of growth for Biopharmaceuticals

2013 Organic growth rates of Biopharmaceuticals in Emerging Markets



Attractive growth profile versus peers (2011-2013)<sup>1</sup>



## Key facts

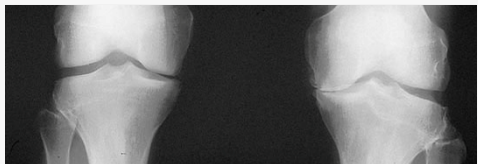
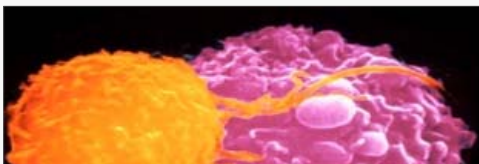

- Emerging Markets are a key driver for the branded products as well as for Biopharmaceuticals overall
- ~30% of sales in Emerging Markets
- ~50:50 breakdown between Latin America and Asia
- Emerging Markets account for >60% of organic growth 2011-2013<sup>2</sup>

Emerging Markets support existing business and serve as a platform for strategic growth initiatives

<sup>1</sup>Source: IMS MIDAS, 2012/2013 constant USD; <sup>2</sup>Source: Biopharmaceuticals  
 Note: Size of bubble = € bn sales in Emerging Markets (2013)

# Commitment to scientific innovation makes a meaningful difference

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Efficiency Focus Innovation	Immunology & Neurology	Oncology	Immuno-Oncology
			
	<p>Vision</p> <p>Understand disease-led human immunology to build a competitive drug portfolio</p> <p>Key projects*</p> <ul style="list-style-type: none"> <li>▪ Atacicept</li> <li>▪ ATX-MS-1467</li> <li>▪ BTK inhibitor</li> </ul>	<p>Vision</p> <p>Leverage our presence in oncology to deliver the best benefit possible to patients</p> <p>Key projects*</p> <ul style="list-style-type: none"> <li>▪ TH-302</li> <li>▪ c-Met inhibitor</li> <li>▪ p7056K &amp; Akt inhibitor</li> </ul>	<p>Vision</p> <p>Transform cancer into a chronic disease</p> <p>Key projects*</p> <ul style="list-style-type: none"> <li>▪ Anti-PD-L1</li> <li>▪ NHS-IL2LT</li> <li>▪ NHS-IL-12</li> </ul>

\*Examples

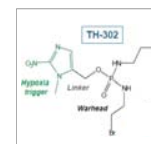
# Stringent R&D prioritization of oncology-tilted pipeline to yield first potential results 2016+

## Focus on bolstering pharma R&D pipeline

- More focused and better prioritized R&D pipeline to yield one compound and lifecycle management initiative every year
- Keep up stringent prioritization process for R&D projects
- Lower R&D pipeline risk via partnering, risk-sharing
- Continuously develop innovation flow with external know-how

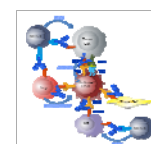
## Focus on optimal product development

- Prepare launch readiness in mature markets
- Improved pipeline structure to yield first potential results from 2016+



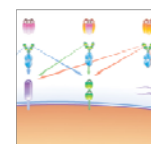
### TH-302

- Oncology
- Phase III



### Anti-PD-L1

- Oncology
- Phase I

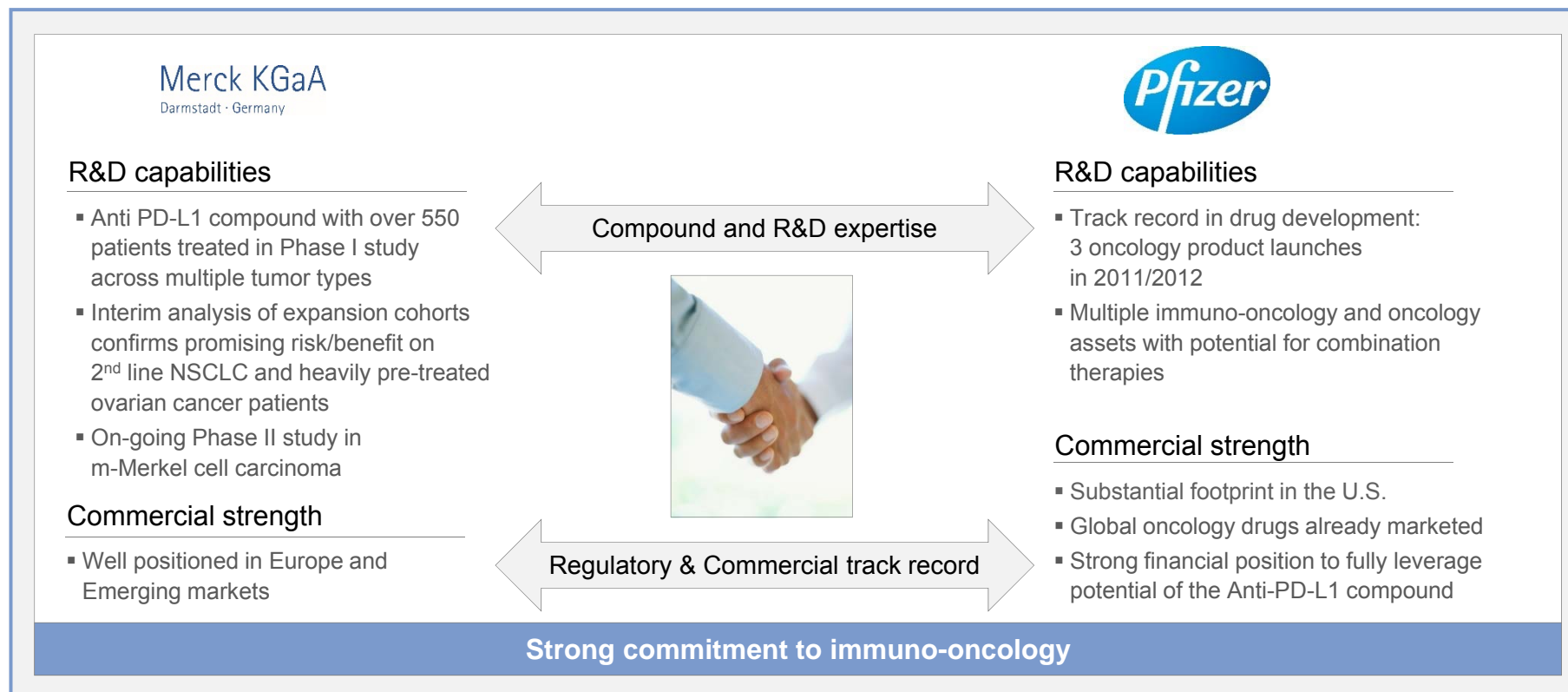


### Atacicept

- Systemic lupus erythematosus
- Phase II

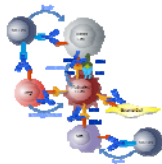


# Merck KGaA, Darmstadt, Germany and Pfizer – two strong players combining forces in oncology



# Three strategic drivers for collaboration

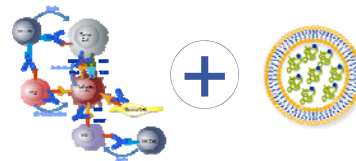
## Leverage Anti PD-L 1 asset



- Combine Biopharmaceuticals' R&D and Pfizer's commercialization capabilities
- Speed up overall development process through joint R&D efforts
- Combine financial resources of two global pharma players
- Share development risk



## Tackle combination therapies



- Enlarge pool of potential combinations through use of Pfizer's pipeline assets and existing products of Pfizer
- Leverage scientific expertise through joint research efforts
- Increase momentum to bring combinations to the market



## Build new commercialization strength



- Co-commercialization of Xalkori in major markets
- Build up Oncology infrastructure and capabilities, especially in North America
- Broaden experience and knowledge base in advance of potential Anti-PD-L1 launch
- Additional income stream to drive R&D activities



# Financial implications of the deal with Pfizer

- ▶ \$850 m upfront cash payment, accrual to be released over the duration of the patent
- ▶ ~50:50 R&D Cost split for drug development
- ▶ Milestone payments of up to \$2.0 bn based on filing/approval and commercialization of the compound across various indications & markets
- ▶ Co-commercialization of Xalkori – 2015 reimbursement for ramping up infrastructure and capabilities; followed by profit sharing agreement
- ▶ Following regulatory approval, first potential sales of Anti PD-L1 compound



# A clear rationale for a strong partnership

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Global partners for co-development & co-commercialization

Pfizer with a proven track record in drug development, regulatory affairs and commercialization

Development risk sharing and increased financial flexibility

Long-term commitment to immuno-oncology therapies

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One step closer to the target of bringing our top pipeline projects to market

## Agenda

Business overview

Transforming the company

Strategy update Biopharmaceuticals

**Financial guidance**

# Full-year guidance confirmed

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## Group guidance for 2014, including AZ<sup>1</sup>




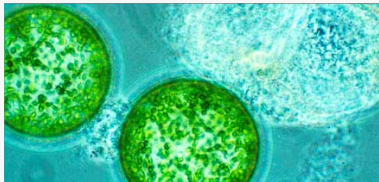
▶	<b>Sales:</b>	<b>~ €11.0 – 11.2 bn</b>	◀
▶	<b>EBITDA pre:</b>	<b>~ €3.3 – 3.4 bn</b>	◀
▶	<b>EPS pre<sup>2</sup>:</b>	<b>~ €4.50 – 4.75</b>	◀



<sup>1</sup>Including AZ Electronic Materials from May to December 2014

<sup>2</sup>Based on number of shares after the share split, which has been effective since June 30, 2014

# Guidance details

Biopharmaceuticals	Consumer Health	Performance Materials	Life Science
			
Sales	Sales	Sales	Sales
Slight to moderate organic growth	Moderate organic growth	Slight organic growth	Moderate organic growth
EBITDA pre	EBITDA pre	EBITDA pre*	EBITDA pre
~ €1,770 – 1,830 m	~ €170 – 180 m	~ €860 – 880 m	~ €640 – 670 m
<b>Group 2014 guidance*: ~ €3.3 to €3.4 billion EBITDA pre</b>			

\* Including AZ Electronic Materials from May to December 2014

# Merck KGaA

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# Appendix

## **Financials Q3 2014**

Additional divisional information

## Additional financial guidance

### Further financial details

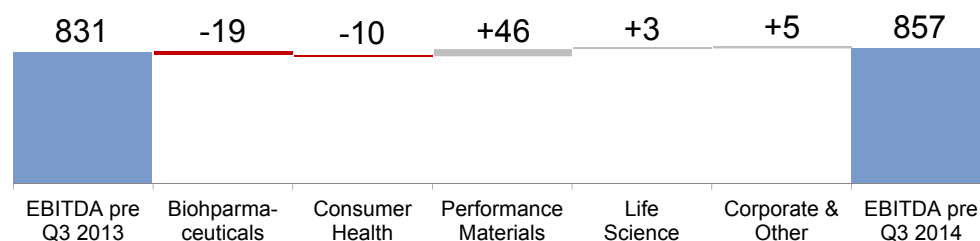
Group royalty, license and commission income in 2015	~€130 – 150 m
Corporate & Other EBITDA pre	~€ -160 – 190 m
Underlying tax rate	~23% to 25%
Capex on PPE and software	~€500 – 550 m
Hedging / USD assumption	2014 & 2015 hedge rate ~30% at EUR/USD ~1.30 to 1.35



# All our businesses drive organic growth, while currency headwinds abate

Q3 YoY sales	Organic	Currency	Portfolio	Total
Biopharmaceuticals	4.5%	-0.8%	0.0%	3.7%
Consumer Health	1.4%	0.0%	0.0%	1.5%
Performance Materials	7.0%	-0.2%	35.0%	41.7%
Life Science	4.5%	-0.1%	-1.0%	3.4%
<b>The Group</b>	<b>4.6%</b>	<b>-0.5%</b>	<b>5.1%</b>	<b>9.3%</b>

Q3 YoY EBITDA pre contributors [€ m]



- All key franchises of Biopharmaceuticals deliver organic growth
- Good volumes in Liquid Crystals drive Performance Materials
- Life Science benefits from strong performance of Process Solutions

- Biopharmaceuticals affected by Humira and Enbrel royalty income loss and higher production costs
- Consumer Health shows solid trend, but high comparables and investments in marketing
- Performance Materials includes a full quarter of AZ contribution

Totals may not add up due to rounding

## Q3 2014: Sound financials

[€ m]	Q3 2013	Q3 2014	Δ	Q3 2014
<b>Sales</b>	<b>2,659</b>	<b>2,906</b>	<b>9.3%</b>	<ul style="list-style-type: none"> <li>▪ Sales up on organic improvement and full AZ contribution</li> <li>▪ EBITDA pre increases on organic growth and AZ, margin reflects royalty income losses</li> <li>▪ EPS pre flat amid higher D&amp;A and lower financial result</li> <li>▪ Operating cash flow impacted by lower royalty income and increase in working capital</li> <li>▪ Higher headcount includes employees from AZ</li> </ul>
<b>EBITDA pre</b>	<b>831</b>	<b>857</b>	<b>3.1%</b>	
<i>Margin (% of sales)</i>	<i>31.2%</i>	<i>29.5%</i>		
<b>EPS pre [€]</b>	<b>1.15</b>	<b>1.15</b>	<b>0%</b>	
<b>Operating cash flow</b>	<b>827</b>	<b>726</b>	<b>-12.2%</b>	
[€ m]	Dec 31, 2013	Sept. 30, 2014	Δ	
<b>Net financial debt</b>	<b>307</b>	<b>1,521</b>	<b>&gt;100%</b>	
<b>Working capital</b>	<b>2,132</b>	<b>2,554</b>	<b>19.8%</b>	
<b>Employees</b>	<b>38,154</b>	<b>39,355</b>	<b>3.1%</b>	
<b>Net financial debt increases on AZ acquisition</b>				

## Reported earnings contain AZ adjustments

[€ m]	Q3 2013	Q3 2014	Δ	Reported results
<b>EBIT</b>	<b>482</b>	<b>429</b>	<b>-11.0%</b>	<ul style="list-style-type: none"> <li>▪ EBIT down mainly due to royalty terminations and some remaining inventory adjustments from AZ</li> <li>▪ Financial result impacted by higher time value for LTIP*, mitigated by lower interest payments</li> <li>▪ Tax rate increases due to solely tax-relevant gain from Sigma-Aldrich acquisition-related FX hedging</li> </ul>
Financial result	-52	-57	10.4%	
<b>Profit before tax</b>	<b>430</b>	<b>372</b>	<b>-13.6%</b>	
Income tax	-87	-122	39.7%	
<i>Tax rate (%)</i>	<i>20.3%</i>	<i>32.9%</i>		
<b>Net income</b>	<b>340</b>	<b>249</b>	<b>-26.7%</b>	
<b>EPS (€)</b>	<b>0.78</b>	<b>0.57</b>	<b>-26.9%</b>	

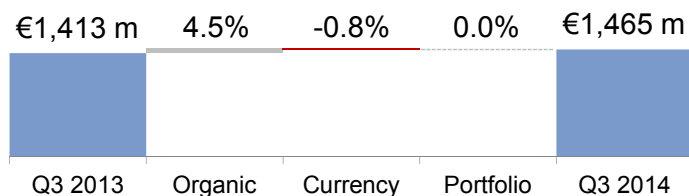
\*Long Term Incentive Plan

# Biopharmaceuticals: Emerging Markets drive organic growth

Merck KGaA  
Darmstadt · Germany

[€ m]	Q3 2013*	Q3 2014
<b>Sales</b>	<b>1,413</b>	<b>1,465</b>
Marketing and selling	-428	-433
Admin	-49	-55
R&D	-296	-410
<b>EBIT</b>	<b>240</b>	<b>237</b>
EBITDA	446	436
<b>EBITDA pre</b>	<b>467</b>	<b>449</b>
<i>Margin (% of sales)</i>	33.1%	30.6%

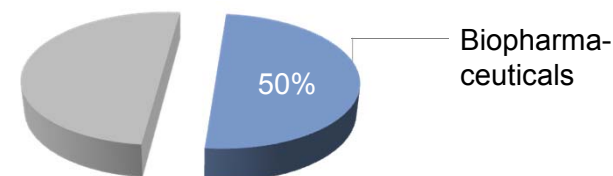
Sales bridge



Comments

- Sales improve due to solid organic growth, slightly impacted by FX
- Rebif with organic growth as U.S. pricing outweighs volume loss
- Erbitux with good organic performance driven by all regions
- Increase in R&D due to pipeline prioritization (tecemotide, plovamer discontinuations) and Biosimilars initiatives
- Higher R&D expense balanced by reduction in litigation provision reported under other operating income/expenses line
- EBITDA pre burdened by lower royalties (Humira, Enbrel) and higher production costs

Q3 2014 share of group sales



\*Restated for product reclassification of Neurobion and Floratil from Biopharmaceuticals to Consumer Health

# Consumer Health: Q3 compares to a strong base

[€ m]	Q3 2013*	Q3 2014	Comments
<b>Sales</b>	<b>201</b>	<b>204</b>	<ul style="list-style-type: none"> <li>▪ Slight organic sales growth despite tough comparables, country exits and destocking</li> <li>▪ Emerging Markets main driver of organic growth, especially driven by Neurobion and Floratil in Brazil</li> <li>▪ Femibion continues to grow organically, especially in Germany</li> <li>▪ Higher marketing and selling costs due to investments in global marketing initiatives</li> <li>▪ EBITDA pre impacted by higher marketing and selling costs, last year benefited from strong contribution of new brands</li> <li>▪ Margin maintained at sustainable level</li> </ul>
Marketing and selling	-72	-77	
Admin	-6	-7	
R&D	-6	-5	
<b>EBIT</b>	<b>55</b>	<b>42</b>	
EBITDA	57	45	
<b>EBITDA pre</b>	<b>58</b>	<b>49</b>	
<i>Margin (% of sales)</i>	<i>28.9%</i>	<i>23.8%</i>	
<b>Sales bridge</b>			<b>Q3 2014 share of group sales</b>
<p>€201 m    1.4%    0.0%    0.0%    €204 m</p> <p>Q3 2013    Organic    Currency    Portfolio    Q3 2014</p>			<p>Consumer Health 7%</p>

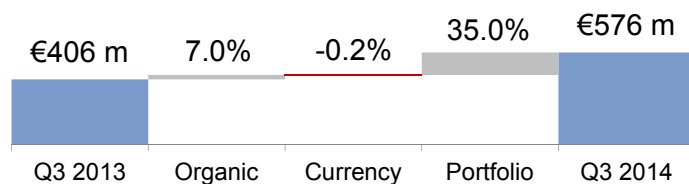
\*Restated for product reclassification of Neurobion and Floratil from Biopharmaceuticals to Consumer Health

# Performance Materials: IPS and PS-VA fuel divisional performance

Merck KGaA  
Darmstadt · Germany

[€ m]	Q3 2013	Q3 2014
<b>Sales</b>	<b>406</b>	<b>576</b>
Marketing and selling	-38	-45
Admin	-7	-18
R&D	-37	-45
<b>EBIT</b>	<b>177</b>	<b>152</b>
EBITDA	202	218
<b>EBITDA pre</b>	<b>197</b>	<b>243</b>
<i>Margin (% of sales)</i>	<i>48.4%</i>	<i>42.2%</i>

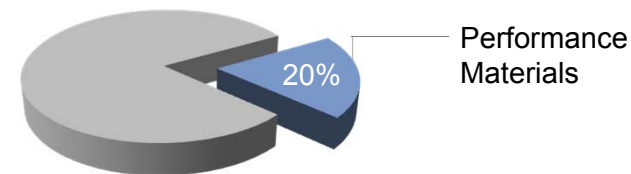
Sales bridge



Comments

- Sales increase on portfolio effect and good organic growth
- Liquid Crystals largest contributor to organic growth driven by good volumes
- Excellent performance of PS-VA and IPS due to strong demand for premium TV's, supported by new UB-FFS mode for mobile devices
- EBIT impacted by AZ inventory step-up
- EBITDA pre rises visibly due to AZ and good organic growth; AZ contributes lower average margins
- AZ integration well on track

Q3 2014 share of group sales

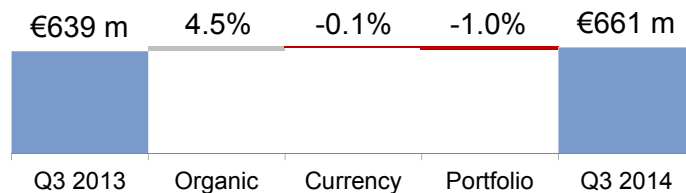




# Life Science: Process Solutions drives growth

[€ m]	Q3 2013	Q3 2014
<b>Sales</b>	<b>639</b>	<b>661</b>
Marketing and selling	-209	-206
Admin	-25	-26
R&D	-40	-42
<b>EBIT</b>	<b>67</b>	<b>72</b>
EBITDA	145	150
<b>EBITDA pre</b>	<b>157</b>	<b>161</b>
<i>Margin (% of sales)</i>	<i>24.6%</i>	<i>24.3%</i>

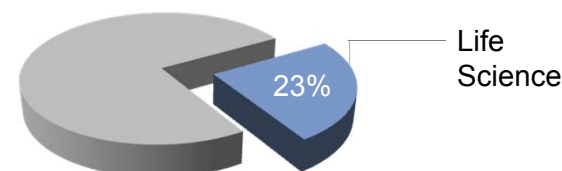
Sales bridge



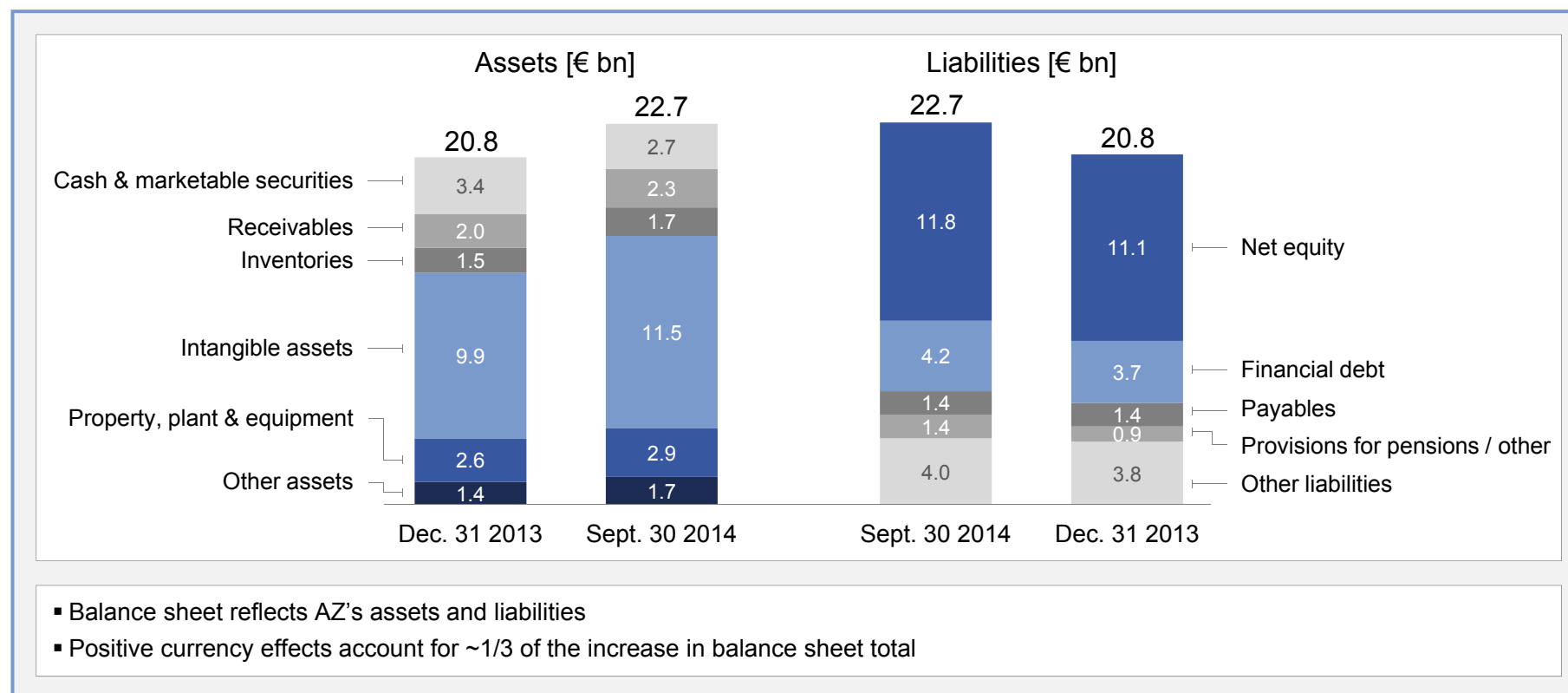
Comments

- Sound organic growth slightly reduced by FX and portfolio
- Process Solutions drives divisional growth mainly due to strong demand from biopharma industry for purification & sterilization
- Lab Solutions flat as Emerging Markets demand for water purification solutions is almost offset by softness in Europe
- Impact of U.S. sequestration as well as lower demand for antibodies in Europe and North America weigh on Bioscience
- Profitability remains on healthy level owing to solid volumes as well as continued cost control

Q3 2014 share of group sales



# Balance sheet: Financial strength



Totals may not add up due to rounding

# Solid cash flow amid royalty income reduction

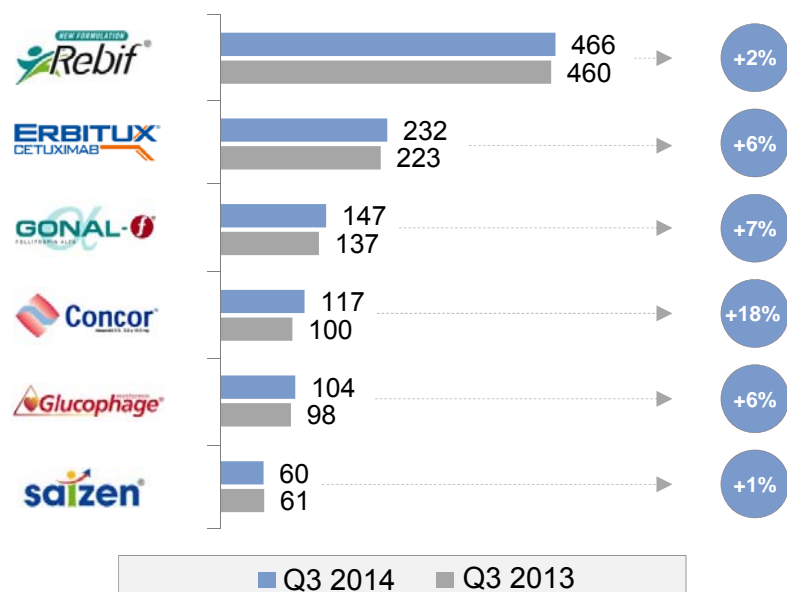
[€ m]	Q3 2013	Q3 2014	Δ	Cash flow drivers
<b>Profit after tax</b>	<b>343</b>	<b>250</b>	<b>-93</b>	<ul style="list-style-type: none"> <li>▪ Profit after tax decreases on lower royalty income and higher income tax</li> </ul>
D&A	315	353	38	<ul style="list-style-type: none"> <li>▪ D&amp;A reflects AZ impact</li> </ul>
Changes in provisions	32	89	57	<ul style="list-style-type: none"> <li>▪ Changes in provisions affected by release of litigation provision which is more than offset by build-up from pipeline terminations and LTIP<sup>2</sup></li> </ul>
Changes in other assets / liabilities	76	83	7	
Other operating activities	-8	-4	4	<ul style="list-style-type: none"> <li>▪ Factoring LY vs. increase in receivables this year as well as higher inventories drive changes in working capital</li> </ul>
Changes in working capital	69	-44	-114	<ul style="list-style-type: none"> <li>▪ Investing cash flow reflects investments in short-term financial assets</li> </ul>
<b>Operating cash flow</b>	<b>827</b>	<b>726</b>	<b>-101</b>	<ul style="list-style-type: none"> <li>▪ Capex rising after slow H1 2014</li> </ul>
<b>Investing cash flow</b>	<b>-20</b>	<b>-364</b>	<b>-334</b>	<ul style="list-style-type: none"> <li>▪ Financing cash flow delta reflects €750 m bond repayment last year</li> </ul>
thereof Capex <sup>1</sup>	-78	-128	-50	
<b>Financing cash flow</b>	<b>-745</b>	<b>90</b>	<b>835</b>	

<sup>1</sup>Only PPE, not including software; <sup>2</sup>Long Term Incentive Plan  
Totals may not add up due to rounding

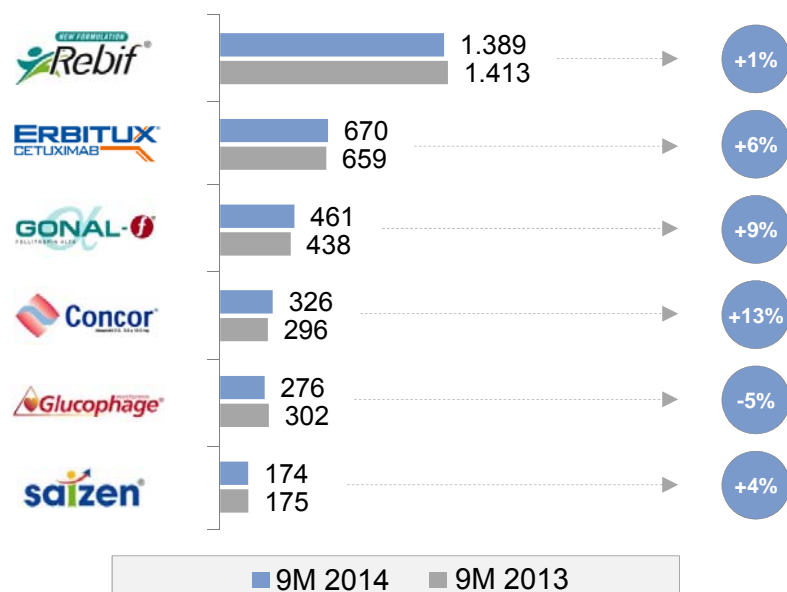
# Biopharmaceuticals organic growth by product

Merck KGaA  
Darmstadt · Germany

Q3 2014 organic sales growth [%] by key product [€ m]



9M 2014 organic sales growth [%] by key product [€ m]



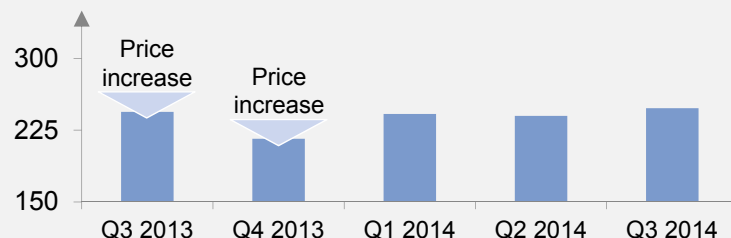
# Rebif – defending market leadership in Europe; competitive pressure in the U.S.



- Regional sales evolution [€ m]

Trend

North America



Q3 drivers

+0.5% organic



Price



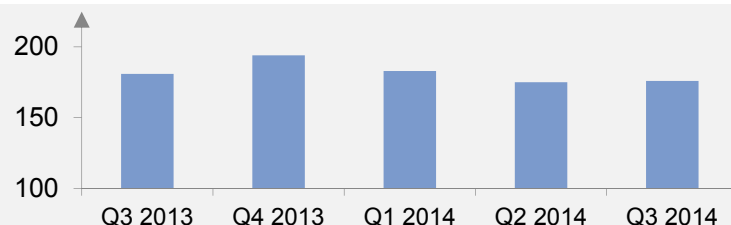
Volume



FX

Trend

Europe



Q3 drivers

-2.5% organic



Price



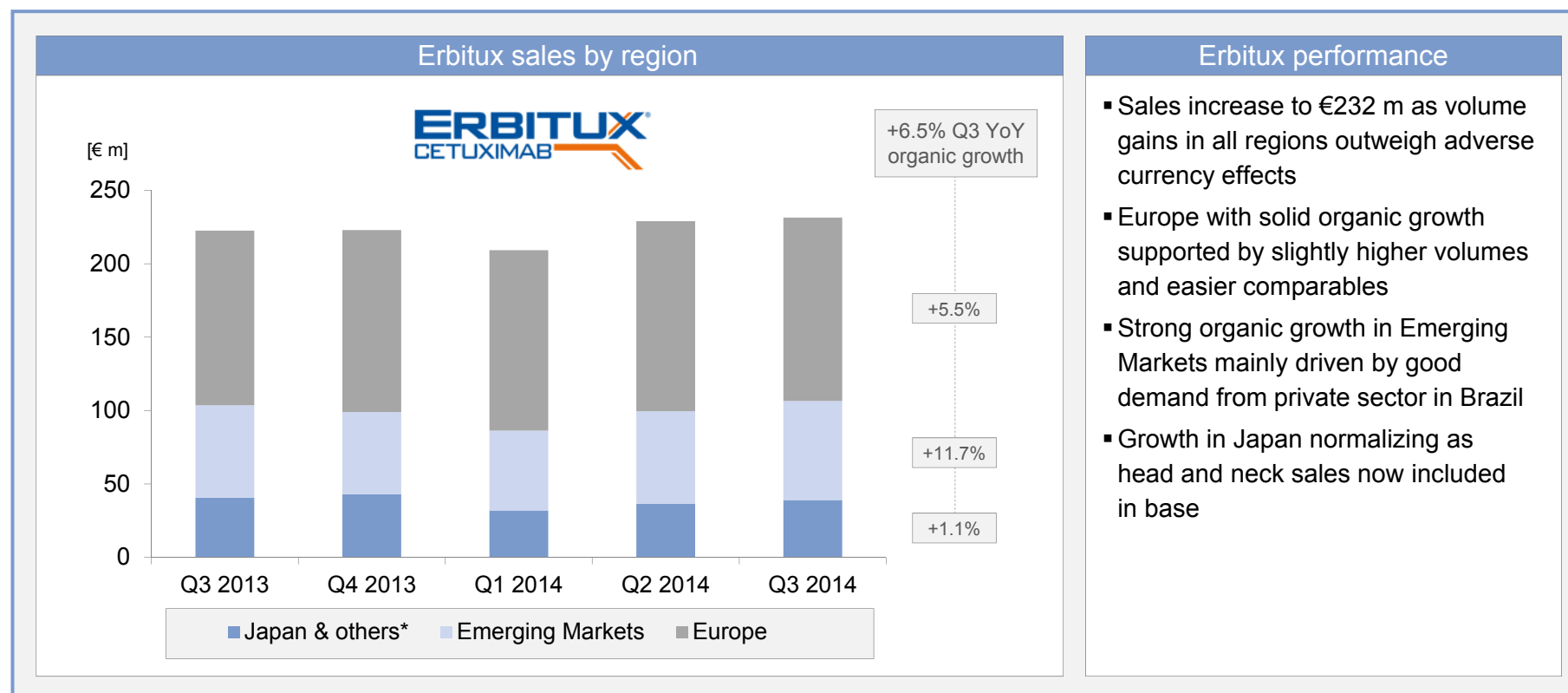
Volume

## Rebif performance

- Rebif sales increase to €466 m in Q3
- Organic growth of +1.7% is driven by U.S. pricing and tender business in Russia, offset by volume erosion
- Competition from orals main factor of U.S. and European volume decline
- October price increase will support future U.S. performance
- Despite competition, Rebif remains market-leading injectable on the European market

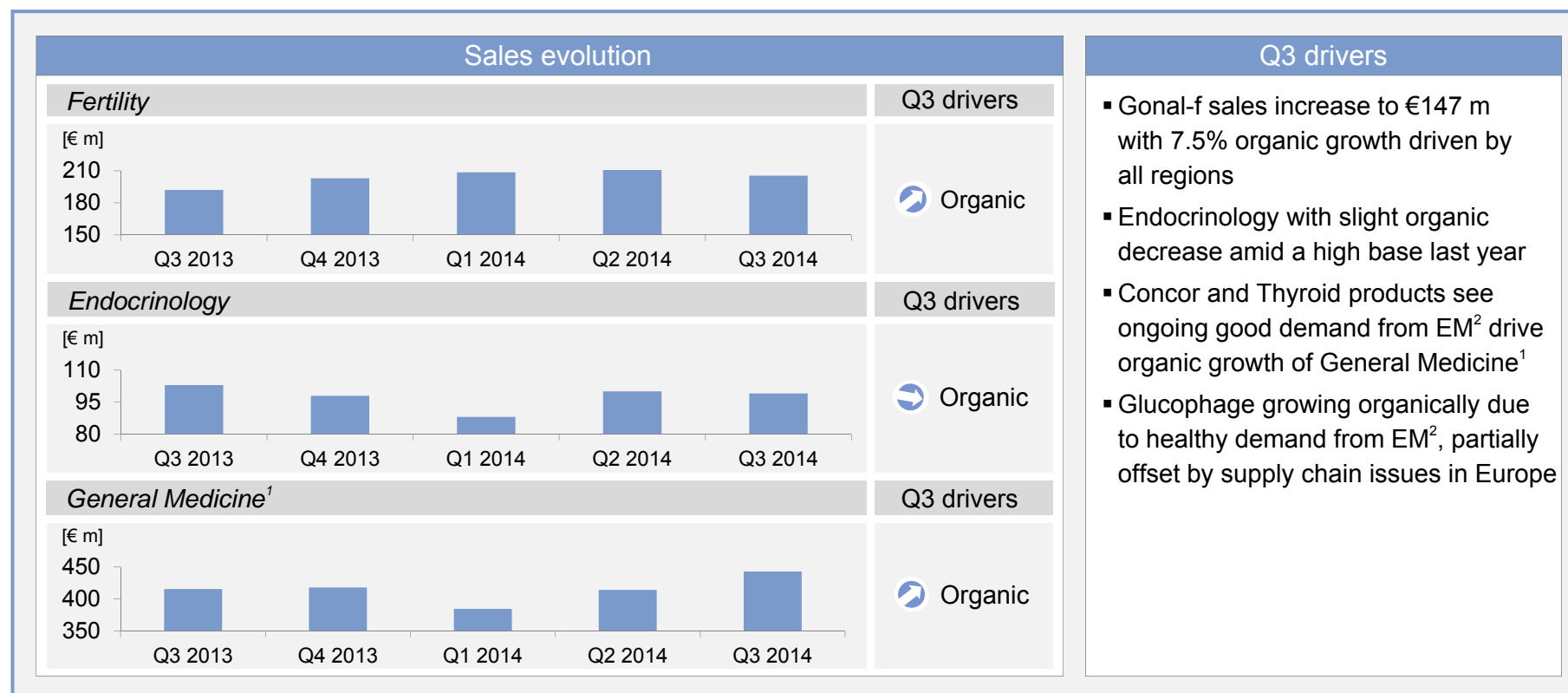
# Erbitux – strong in Emerging Markets

Merck KGaA  
Darmstadt · Germany



\*Australia/Oceania, Africa

# Strong growth in Fertility and General Medicine



<sup>1</sup>includes "Cardiometabolic Care & General Medicine and Others"; <sup>2</sup>Emerging Markets

## One-time items in Q3 2014

One-time items in EBIT				
[€ m]	Q3 2013		Q3 2014	
	One-time items	thereof D&A	One-time items	thereof D&A
Biopharmaceuticals	36	15	13	0
Consumer Health	1	0	4	0
Performance Materials	-5	0	25	0
Life Science	12	0	11	0
Corporate & Other	4	0	26	4
<b>Total</b>	<b>49</b>	<b>15</b>	<b>79</b>	<b>4</b>

Totals may not add up due to rounding



## Appendix

Financials Q3 2014

**Additional divisional information**

# Sigma-Aldrich – A leading life science consumables supplier

Merck KGaA  
Darmstadt · Germany

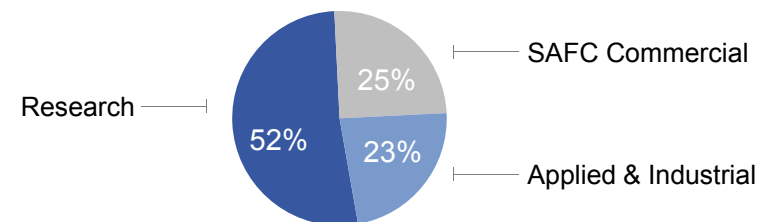
## Business

- Total revenues of \$2.7 billion in 2013
- ~9,000 employees including ~3,000 scientists and engineers
- Headquartered in St. Louis, MO
- Chemical and biochemical products, kits and services provider to laboratories and pharma production
- No. 1 eCommerce platform in the industry; ~1,600 sales people

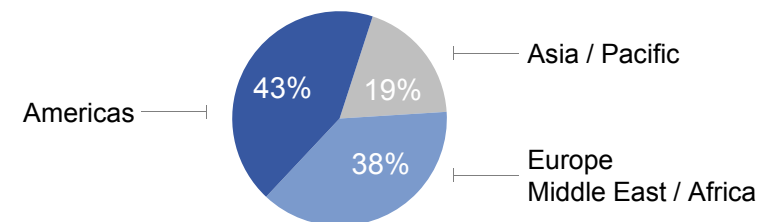
## Footprint

- Balanced regional exposure; strength in North America
- Operations in ~40 countries; products available in ~160 countries

Sales by division FY 2013\*



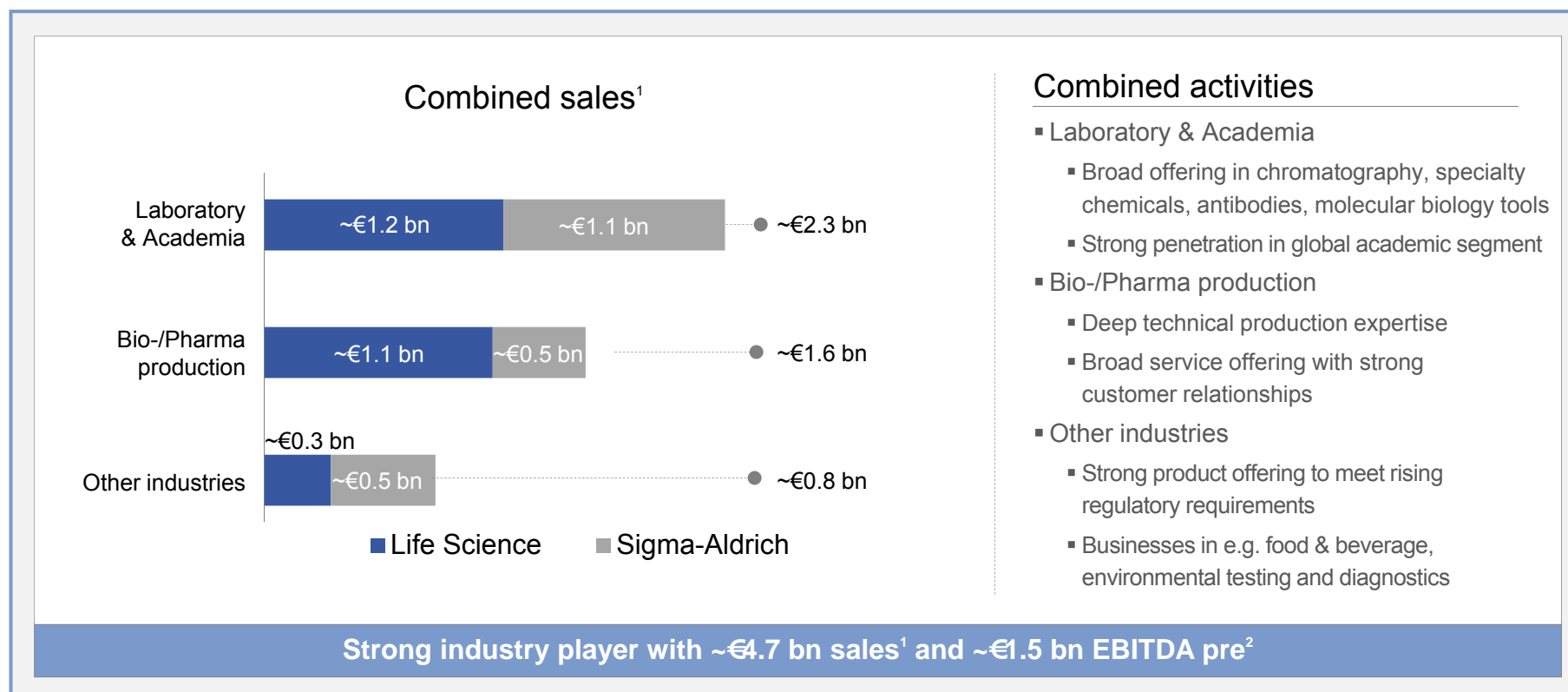
Sales by region FY 2013\*



\*Company reports FY 2013

# Merck KGaA, Darmstadt, Germany and Sigma-Aldrich

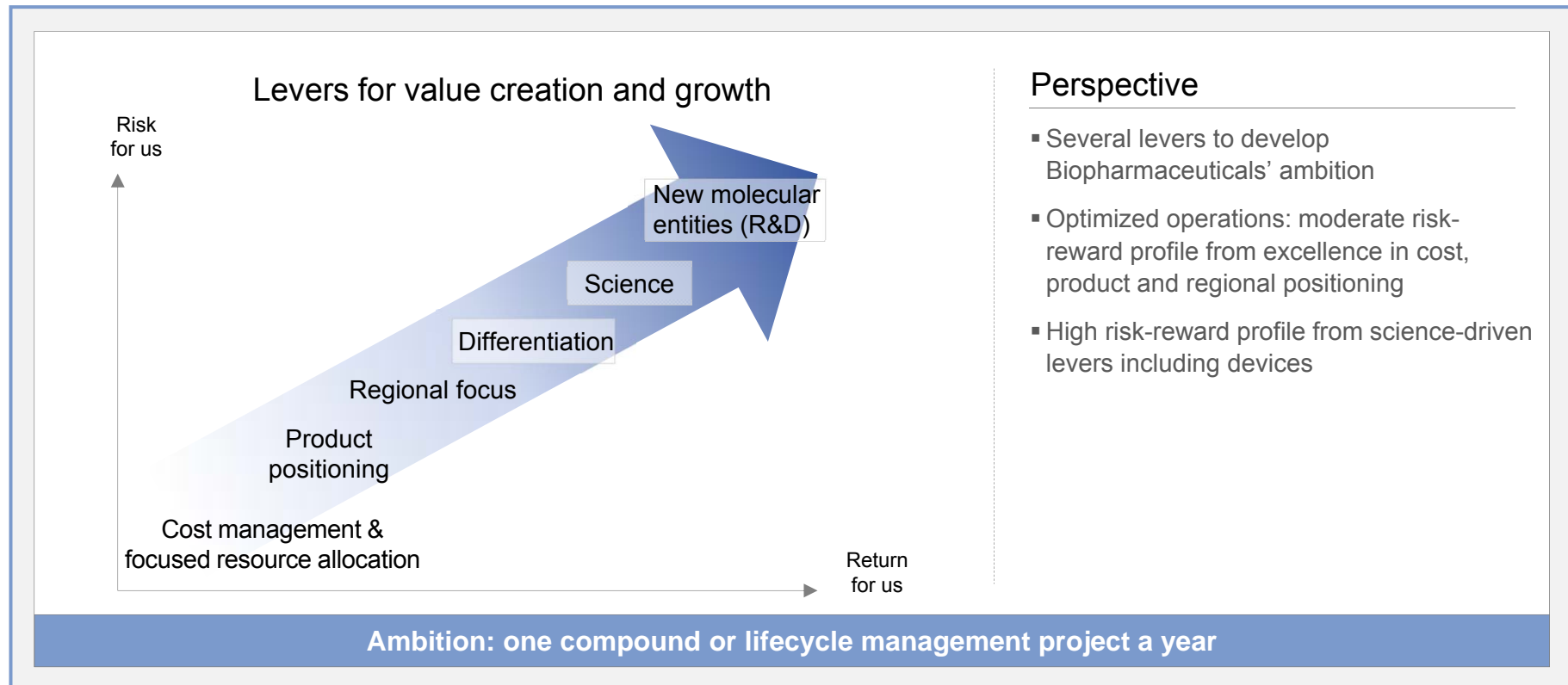
## – Presenting a leading life science industry player



<sup>1</sup>Pro-forma calculation based on published sales for FY 2013 for Life Science and Sigma-Aldrich (FX conversion: EUR/USD 1.30);

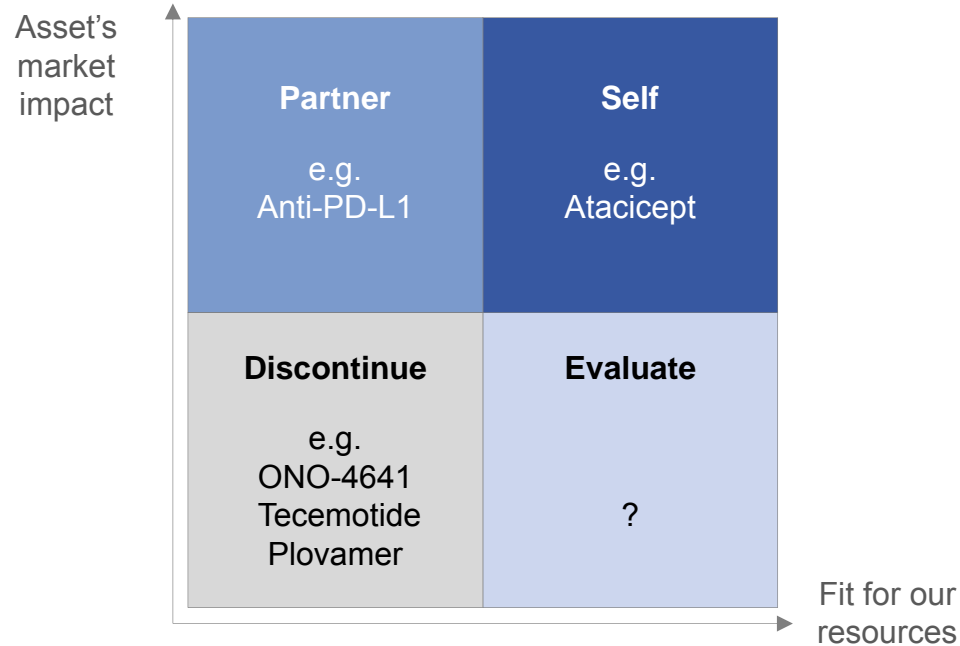
<sup>2</sup>Pro-forma calculation based on 100% expected synergies and published figures for FY 2013 for Life Science and Sigma-Aldrich (FX conversion: EUR/USD 1.30)

# Biopharmaceuticals' goal: Success as a mid-sized specialty biopharma player



Illustration

# Current view on R&D project prioritization in Phase II and III



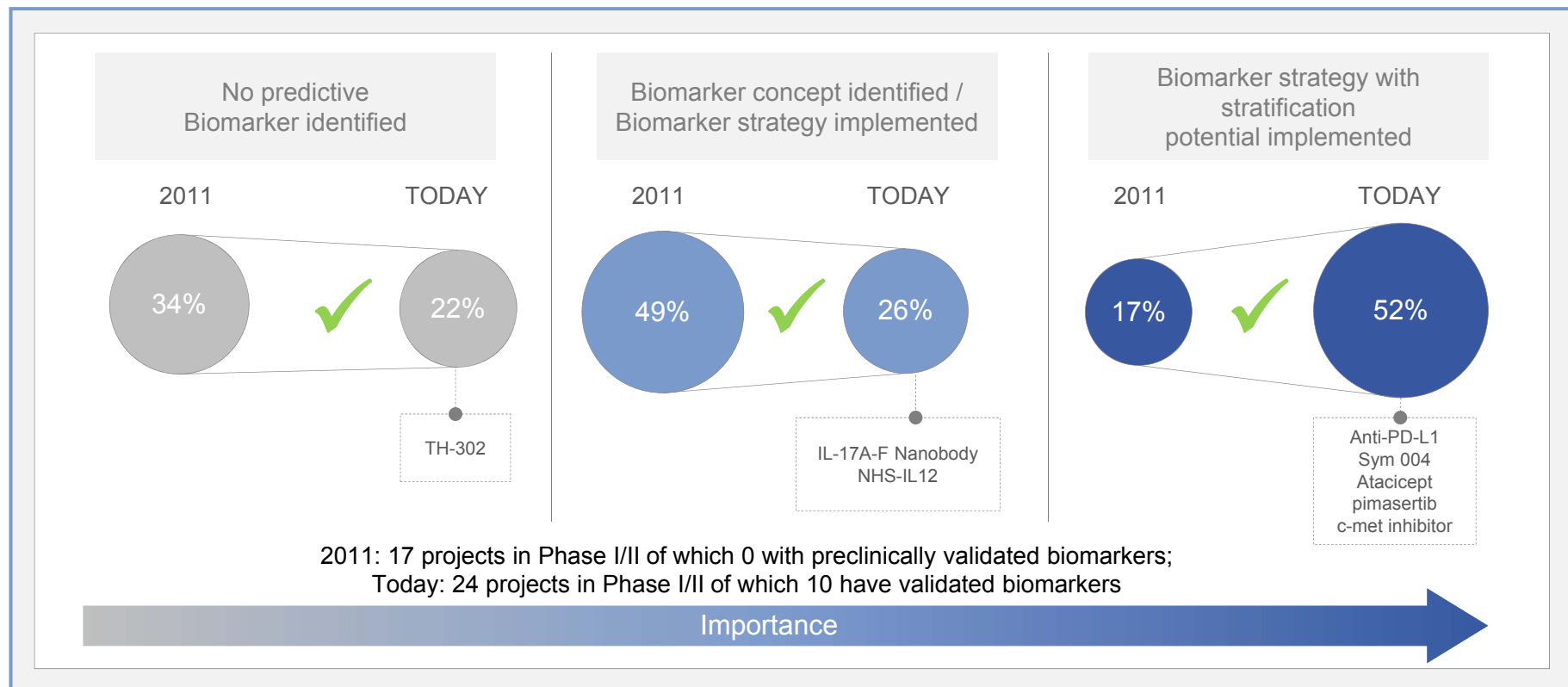
## General

- Only 10% of projects go from clinic to market – in the overall pharma industry and at our company
- The most successful pharma companies strictly prioritize and have a high rate of project discontinuations

## Biopharmaceuticals

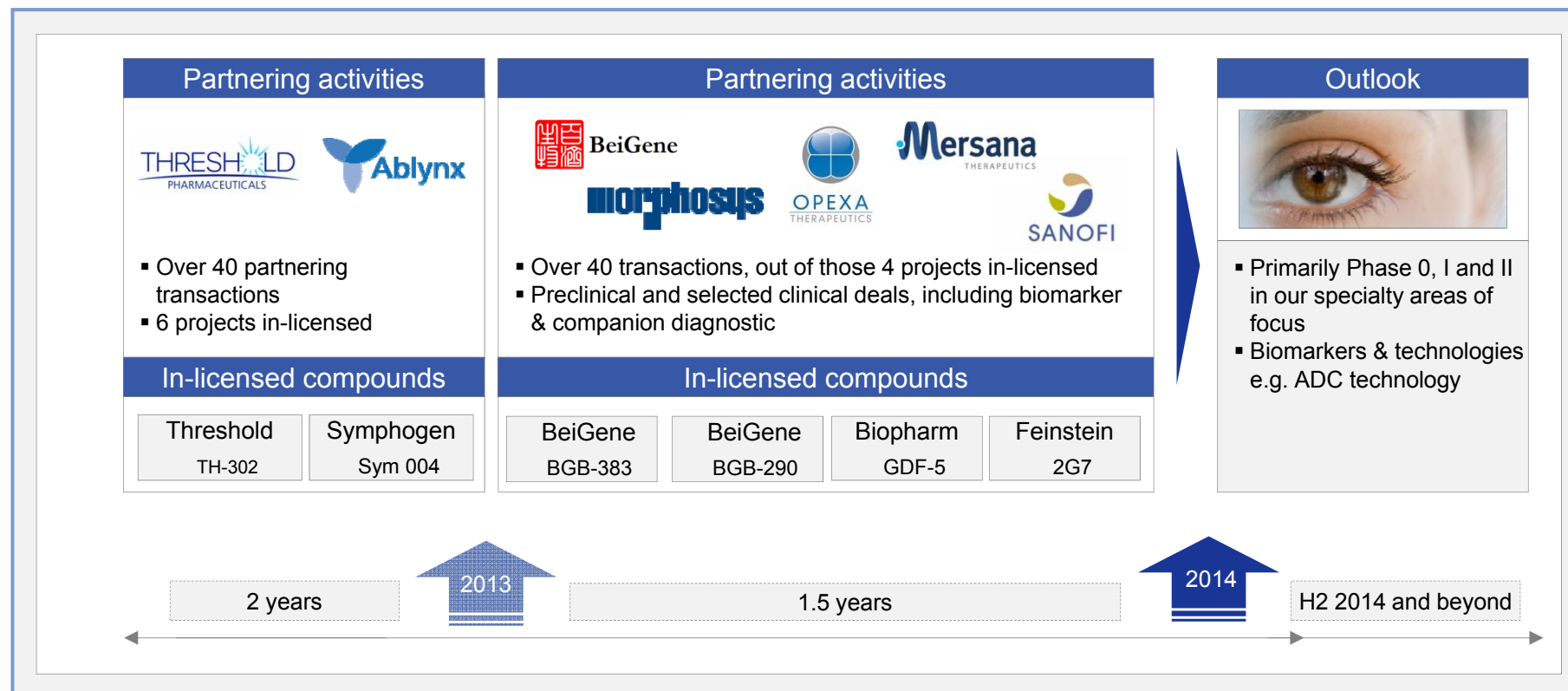
- We continuously monitor all pipeline candidates
- Regular process to decide on further development of the asset
- Assessment based on clinical data; and strategic and financial criteria

# Implementation of biomarker strategy enables treatment of patients, not diseases

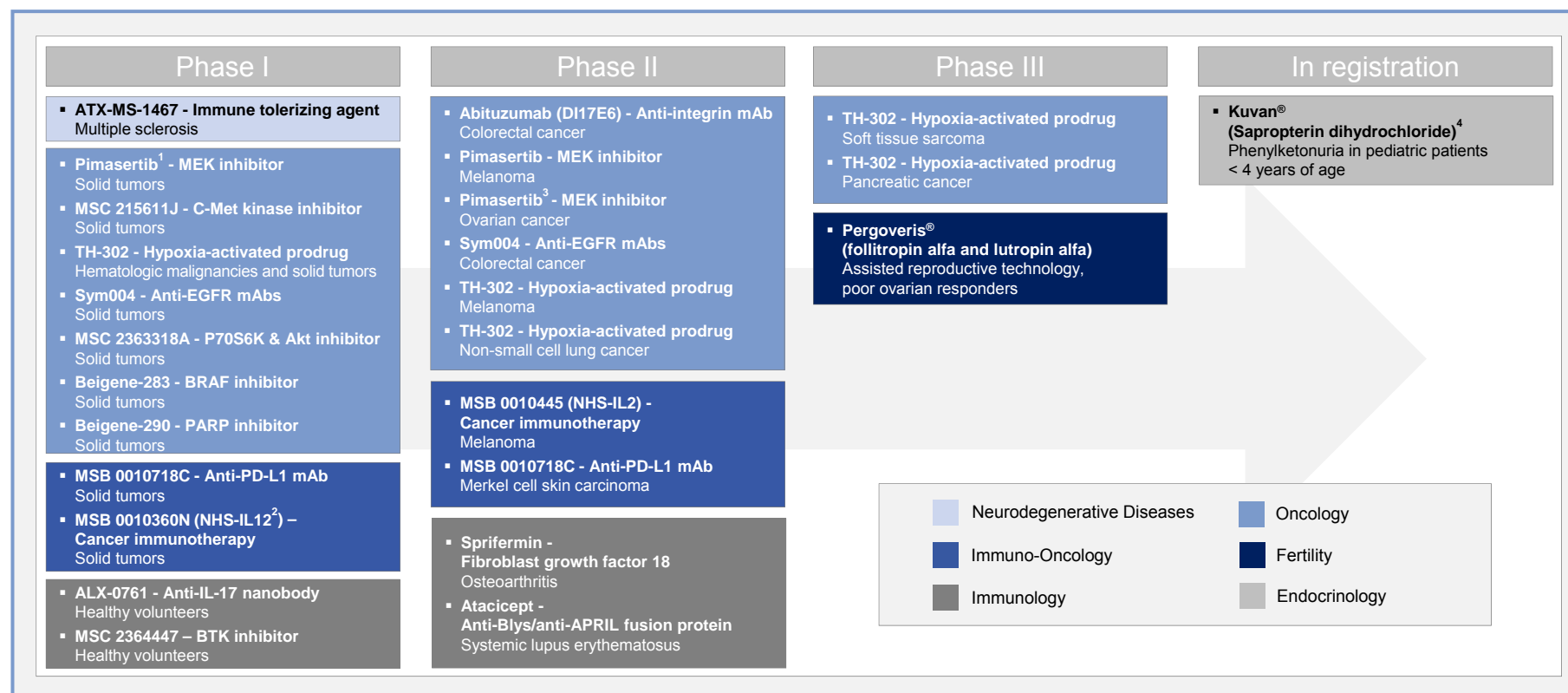


\*% for all projects in phase I/II/III, selected examples provided

# External innovation continuously supports pipeline expansion



# Biopharmaceuticals pipeline



Pipeline as of Oktober 31, 2014; <sup>1</sup>Combined with hDM2 inhibitor (SAR405838) from Sanofi, conducted under the responsibility of Sanofi;

<sup>2</sup>Sponsored by the National Cancer Institute (USA); <sup>3</sup>Combined with PI3K/mTOR inhibitor (SAR245409) from Sanofi, conducted under the responsibility of Merck KGaA, Darmstadt, Germany;

<sup>4</sup>Post-approval request by the European Medicines Agency



# Financial calendar

Merck KGaA  
Darmstadt · Germany

Date	Event
March 03, 2015	Q4 2014 Earnings release
April 17, 2015	Annual General Meeting 2015
May 19, 2015	Q1 2015 Earnings release
August 06, 2015	Q2 2015 Earnings release
November 12, 2015	Q3 2015 Earnings release



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