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Q1 2014 Financial Summary for Investors and Analysts

Merck KGaA, Darmstadt, Germany – Sound operations yield organic growth:

- Solid organic sales growth of 4% is outweighed by currency headwinds of 5%
- Sound operational performance – all divisions post organic growth
- EBITDA pre increases despite royalty income reduction and FX headwinds
- 9% EPS pre increase to €2.31
- Net cash position established
- Merck KGaA, Darmstadt, Germany 2014 EBITDA pre guidance: ~ €3.3 – 3.4 bn (including AZ)

Overview Financials

Q1 2014 Overview

- Sales decline as organic improvement is outweighed by negative currency effects
- EBITDA pre and EPS pre improve on solid organic performance despite loss of royalty income
- 2013 operating cash flow reflects one-time tax refund and restructuring measures
- Strong cash-generating nature of businesses yields first net cash position since June 2010
- Continued tight management of working capital; slight increase due to sound organic business

Q1 2014 Balance Sheet

- Cash and cash equivalents increase in preparation for AZ acquisition
- Reclassification of 2015 bond (€1,350 m) from non-current to current liabilities

Q1 2014 Cash flow Statement

- Higher profit after tax due to solid business performance and lower one-time items
- D&A lower as last year included restructuring related impairment and amortization for Avonex intangible
- Changes in provisions lower as prior year included higher restructuring, LTIP** and litigation provisions
- Changes in other assets and liabilities contains tax refunds last year
- Underlying operating cash flow solid
- Investing cash flow reflects disposal of financial assets in preparation for acquisition of AZ Electronic Materials

*Including AZ Electronic Materials from May to December 2014; **Long Term Incentive Plan

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and General Partners:

Karl-Ludwig Kley (Chairman),

Kai Beckmann, Stefan Oschmann, Bernd Reckmann,

Q1 2014 Business Overview

Biopharmaceuticals

- **Solid performance supported by key franchises despite royalty income reduction**
- Sales deviation yoy: organic +4%, FX -5%, portfolio 0%
- Organic growth more than offset by adverse currency effects leading to slight reduction in sales
- Rebif grows – in the U.S. pricing and wholesaler restocking overcompensate volume declines due to competition
- Erbitux with moderate performance as strong growth in Japan and support from Emerging Markets is mitigated by soft Europe
- Strong organic growth of fertility business across all regions
- Marketing and selling benefits from efficiency initiatives
- Q1 2013 R&D included higher clinical development & one-time costs
- Stable profitability amid FX headwinds and reduction in royalties

Consumer Health

- **Neurobion and Femibion drive quarterly performance**
- Sales deviation yoy: organic +6%, FX -6%, portfolio 0%
- Stable sales as solid organic growth driven by Emerging Markets is offset by FX headwinds
- Latin America grows organically due to performance of new strategic brands Neurobion and Floratil
- Europe moderate as growth of Femibion is partially countered by soft demand for cough and cold products due to milder winter
- Marketing and selling stable, while shift in promotional spending towards strategic brands continues
- Increase in profitability supported by solid organic growth as well as continued cost discipline

Performance Materials

- **Solid performance amid high comparables and strong currency headwinds**
- Sales deviation yoy: organic +1%, FX -6%, portfolio 0%
- Sales lower as slight organic growth is more than offset by FX
- Liquid Crystals organically flat, facing tough comparables due to last year's strong demand and subsidy program for consumers in China
- Liquid Crystals flagship technologies benefitting from ongoing demand
- Pigments supported organically due to coating industry demand for Xirallic products and strong performance of cosmetic actives
- R&D increases slightly on investments in future technologies
- EBITDA pre down facing a strong base and FX headwinds

Life Science

- **Growth in Process Solutions improves profitability**
- Sales deviation yoy: organic +4%, FX -6%, portfolio 0%
- Sales decrease slightly as organic growth is more than offset by FX mainly driven by the Japanese yen and the U.S. dollar
- Process Solutions growth driven by biopharma demand mainly stemming from Emerging Markets and Europe
- U.S. budget sequestration continues to weigh on Bioscience
- Demand for water purification solutions in Emerging Markets drive solid organic growth in Lab Solutions
- Profitability increases due to solid demand and ongoing cost discipline

2014 Outlook (including AZ*):

The Group:

- EBITDA pre: ~ €3.3 – 3.4 bn
- Sales: ~ €10.9 – 11.1 bn
- EPS pre**: ~ €9.00 – 9.50

Outlook by division:

Biopharmaceuticals

- Sales organically stable
- EBITDA pre: ~ €1.75 – 1.85 bn

Consumer Health

- Moderate organic sales growth
- EBITDA pre: ~ €170 – 180 m

Performance Materials*

- Slight organic sales growth
- EBITDA pre: ~ €830 – 880 m

Life Science

- Moderate organic sales growth
- EBITDA pre: ~ €640 – 670 m

Additional financial guidance

- The Group royalty, license and commission income in 2015 ~ €130 – 150 m
- Corporate EBITDA pre: around -€170-200 m
- Underlying tax rate: ~ 23% to 25%
- Capex on PPE and software: ~ €500 m
- Hedging / USD assumption: 2014 and 2015 hedge ratio around 30% at EUR/USD ~ 1.30 – 1.35

*Including AZ Electronic Materials from May to December 2014

**Based on number of shares before the share split that was approved in the Annual General Meeting on 9 May 2014

The Group Q1

€ m	Group			Serono			Consumer Health			Performance Materials			Millipore			Corporate/Others		
	Q1 2013	Q1 2014	% YoY	Q1 2013	Q1 2014	% YoY	Q1 2013	Q1 2014	% YoY	Q1 2013	Q1 2014	% YoY	Q1 2013	Q1 2014	% YoY	Q1 2013	Q1 2014	% YoY
Sales	2,660	2,614	-2%	1,389	1,375	-1%	182	180	-1%	421	402	-5%	669	657	-2%			
% organic			4%			4%			6%			1%			4%			
% FX			-5%			-5%			-6%			-6%			-6%			
% portfolio			0%			0%			0%			0%			0%			
EBIT	399	468	17%	170	236	39%	37	37	0%	173	152	-12%	72	87	20%	-52	-43	-18%
Depreciation and amortization	354	302	-15%	238	192	-19%	3	2	-11%	31	27	-12%	79	77	-3%	4	4	-5%
EBITDA	754	770	2%	408	428	5%	39	39	-1%	203	179	-12%	151	164	8%	-49	-39	-19%
One-time items on EBITDA	47	37	-22%	29	10	-66%	0	2	n.m.	4	8	84%	10	6	-43%	3	11	>100%
EBITDA (pre-one time items)	801	807	1%	438	438	0%	39	41	5%	207	186	-10%	162	170	5%	-45	-28	-37%

The Group

P&L Group	Q1 2013	Q1 2014	% YoY
Sales	2,660	2,614	-2%
Royalty, license and commission income	100	51	-49%
Total revenues	2,761	2,665	-3%
Cost of sales	-724	-737	2%
Gross profit	2,036	1,928	-5%
Marketing and selling expenses	-568	-549	-3%
Royalty and commission expenses	-136	-136	0%
Administration	-133	-132	0%
Other operating income/expenses	-184	-67	-64%
Research and development	-406	-379	-7%
Amortization of intangible assets	-210	-196	-6%
EBIT	399	468	17%
Depreciation and amortization	354	302	-15%
EBITDA	754	770	2%
One-time items on EBITDA	47	37	-22%
EBITDA (pre-one time items)	801	807	1%
Financial result	-59	-35	-41%
Profit before tax	341	434	27%
Income tax	-72	-106	48%
Income tax rate	21%	24%	
Profit after tax	269	327	22%
Non-controlling interest	-3	-2	-25%
Net income	266	325	22%
Number of theoretical shares in million	217.4	217.4	
EPS in €	1.22	1.50	23%
EPS (pre one-time items) in €	2.11	2.31	9%

Biopharmaceuticals

P&L MS	Q1 2013	Q1 2014	% YoY
Sales	1,389	1,375	-1%
Royalty, license and commission income	93	46	-50%
Total revenues	1,482	1,421	-4%
Cost of sales	-230	-254	10%
Gross profit	1,252	1,167	-7%
Marketing and selling expenses	-295	-280	-5%
Royalty and commission expenses	-131	-132	0%
Administration	-50	-52	4%
Other operating income/expenses	-128	-26	-79%
Research and development	-322	-298	-7%
Amortization of intangible assets	-155	-143	-8%
EBIT	170	236	39%
Depreciation and amortization	238	192	-19%
EBITDA	408	428	5%
One-time items on EBITDA	29	10	-66%
EBITDA (pre-one time items)	438	438	0%

Consumer Health

P&L CH	Q1 2013	Q1 2014	% YoY
Sales	182	180	-1%
Royalty, license and commission income	0	0	>100%
Total revenues	182	181	-1%
Cost of sales	-57	-60	5%
Gross profit	125	121	-3%
Marketing and selling expenses	-69	-68	-2%
Royalty, license and commission income	-1	0	n.m.
Administration	-6	-6	8%
Other operating income/expenses	-6	-5	-26%
Research and development	-6	-5	-16%
Amortization of intangible assets	-1	-1	17%
EBIT	37	37	0%
Depreciation and amortization	3	2	-11%
EBITDA	39	39	-1%
One-time items on EBITDA	0	2	n.m.
EBITDA (pre-one time items)	39	41	5%

Performance Materials

P&L PM	Q1 2013	Q1 2014	% YoY
Sales	421	402	-5%
Royalty, license and commission income	1	1	-38%
Total revenues	422	403	-5%
Cost of sales	-156	-157	0%
Gross profit	266	246	-7%
Marketing and selling expenses	-35	-33	-8%
Royalty and commission expenses	0	-1	69%
Administration	-7	-8	11%
Other operating income/expenses	-11	-13	20%
Research and development	-36	-37	2%
Amortization of intangible assets	-4	-4	2%
EBIT	173	152	-12%
Depreciation and amortization	31	27	-12%
EBITDA	203	179	-12%
One-time items on EBITDA	4	8	84%
EBITDA (pre-one time items)	207	186	-10%

Life Science

P&L MM	Q1 2013	Q1 2014	% YoY
Sales	669	657	-2%
Royalty, license and commission income	6	4	-33%
Total revenues	675	660	-2%
Cost of sales	-280	-265	-5%
Gross profit	395	396	0%
Marketing and selling expenses	-169	-169	-1%
Royalty and commission expenses	-4	-4	12%
Administration	-27	-29	7%
Other operating income/expenses	-31	-20	-36%
Research and development	-41	-38	-7%
Amortization of intangible assets	-50	-49	-2%
EBIT	72	87	20%
Depreciation and amortization	79	77	-3%
EBITDA	151	164	8%
One-time items on EBITDA	10	6	-43%
EBITDA (pre-one time items)	162	170	5%