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Q3 2014 Financial Summary for Investors and Analysts

Good top-line growth – AZ integration on track:

- Volume expansion drives organic growth of 4.6%
- Growth across all regions and businesses, EM¹ share expands to 39%
- AZ integration well on track
- EBITDA pre up 3% to €857 m, margin decreases on royalty income reduction
- EPS pre stable at €1.15
- Full year 2014 guidance confirmed with EBITDA pre at €3.3 – 3.4 bn

Overview Financials

Q3 2014 Overview

- Sales up on organic improvement and full AZ contribution
- EBITDA pre increases on organic growth and AZ, margin reflects royalty income losses
- EPS pre flat amid higher D&A and lower financial result
- Operating cash flow impacted by lower royalty income and increase in working capital
- Higher headcount includes employees from AZ

Q3 2014 Balance Sheet

- Balance sheet reflects AZ's assets and liabilities
- Positive currency effects account for ~1/3 of the increase in balance sheet total

Q3 2014 Cash flow Statement

- Profit after tax decreases on lower royalty income and higher income tax
- D&A reflects AZ impact
- Changes in provisions affected by release of litigation provision which is more than offset by build-up from pipeline terminations and LTIP²
- Factoring LY vs. increase in receivables this year as well as higher inventories drive changes in working capital
- Investing cash flow reflects investments in short-term financial assets
- Capex rising after slow H1 2014
- Financing cash flow delta reflects €750 m bond repayment last year

¹Emerging Markets; ²Long Term Incentive Plan

Q3 2014 Business Overview

Biopharmaceuticals

- **Emerging Markets drive organic growth**
- Sales deviation yoy: organic +4.5%, FX -0.8%, portfolio 0.0%
- 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 and 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

Consumer Health

- **Q3 compares to a strong base**
- Sales deviation yoy: organic +1.4%, FX +0.1%, portfolio 0.0%
- Slight organic sales growth despite tough comparables, country exits and destocking
- Emerging Markets main driver of organic growth, especially driven by Neurobion and Floratil in Brazil
- Femibion continues to grow organically, especially in Germany
- Higher marketing and selling costs due to investments in global marketing initiatives
- EBITDA pre impacted by higher marketing and selling costs, last year benefited from strong contribution of new brands
- Margin maintained at sustainable level

Performance Materials

- **IPS and PS-VA fuel divisional performance**
- Sales deviation yoy: organic +7.0%, FX -0.2%, portfolio +35.0%
- 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

Life Science

- **Process Solutions drives growth**
- Sales deviation yoy: organic +4.5%, FX -0.1%, portfolio -1.0%
- 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

2014 guidance (including AZ*):

The Group:

- **EBITDA pre:** ~ €3.3 – 3.4 bn
- **Sales:** ~ €11.0 – 11.2 bn
- **EPS pre**:** ~ €4.50 – 4.75

Outlook by division:

Biopharmaceuticals

- Slight organic sales growth
- EBITDA pre: ~ €1.77 – 1.83 bn

Consumer Health

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

Performance Materials*

- Slight organic sales growth
- EBITDA pre: ~ €860 – 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 -€160-190 m
- Underlying tax rate: ~ 23% to 25%
- Capex on PPE and software: ~ €500 – 550 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 after the share split, which has been effective since June 30, 2014

The Group Q3

€ m	Group			Serono			Consumer Health			Performance Materials			Millipore			Corporate/Others		
	Q3 2013	Q3 2014	% YoY	Q3 2013	Q3 2014	% YoY	Q3 2013	Q3 2014	% YoY	Q3 2013	Q3 2014	% YoY	Q3 2013	Q3 2014	% YoY	Q3 2013	Q3 2014	% YoY
Sales	2,659	2,906	9.3%	1,413	1,465	3.7%	201	204	1.5%	406	576	41.7%	639	661	3.4%			
% organic			4.6%			4.5%			1.4%			7.0%			4.5%			
% FX			-0.5%			-0.8%			0.1%			-0.2%			-0.1%			
% portfolio			5.1%			0.0%			0.0%			35.0%			-1.0%			
EBIT	482	429	-11%	240	237	-2%	55	42	-24%	177	152	-14%	67	72	8%	-57	-74	30%
Depreciation and amortization	315	353	12%	205	199	-3%	2	2	28%	26	65	>100%	78	78	0%	4	7	99%
EBITDA	796	781	-2%	446	436	-2%	57	45	-22%	202	218	8%	145	150	3%	-53	-66	25%
One-time items on EBITDA	34	75	>100%	22	13	-42%	1	4	>100%	-5	25	n.m.	12	11	-13%	4	22	>100%
EBITDA (pre-one time items)	831	857	3%	467	449	-4%	58	49	-17%	197	243	23%	157	161	2%	-49	-44	-10%

The Group 9M

€ m	Group			Serono			Consumer Health			Performance Materials			Millipore			Corporate/Others		
	9M 2013	9M 2014	% YoY	9M 2013	9M 2014	% YoY	9M 2013	9M 2014	% YoY	9M 2013	9M 2014	% YoY	9M 2013	9M 2014	% YoY	9M 2013	9M 2014	% YoY
Sales	8,064	8,315	3.1%	4,269	4,286	0.4%	562	569	1.3%	1,259	1,484	17.9%	1,974	1,976	0.1%			
% organic			3.9%			3.9%			5.0%			3.3%			4.1%			
% FX			-3.5%			-3.5%			-3.7%			-3.7%			-3.3%			
% portfolio			2.7%			0.0%			0.0%			18.3%			-0.6%			
EBIT	1,347	1,338	-1%	677	712	5%	126	116	-8%	519	441	-15%	211	234	11%	-187	-165	-12%
Depreciation and amortization	997	980	-2%	655	596	-9%	7	7	5%	91	133	46%	233	230	-1%	11	14	32%
EBITDA	2,343	2,319	-1%	1,332	1,308	-2%	133	123	-8%	611	574	-6%	444	464	4%	-177	-151	-15%
One-time items on EBITDA	115	191	66%	48	30	-37%	0	8	n.m.	3	81	>100%	31	32	5%	34	39	15%
EBITDA (pre-one time items)	2,458	2,509	2%	1,380	1,339	-3%	133	131	-1%	613	656	7%	475	496	4%	-143	-112	-22%

Net financial debt* 307 1,521 >100%

* 2013 is Dec. 31

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The Group

P&L Group	Q3 2013	Q3 2014	% YoY
Sales	2,659	2,906	9%
Royalty, license and commission income	92	31	-67%
Total revenues	2,752	2,936	7%
Cost of sales	-735	-948	29%
thereof: intangibles amortization	-12	-30	>100%
Gross profit	2,016	1,988	-1%
Marketing and selling expenses	-746	-761	2%
thereof: intangibles amortization	-186	-176	-5%
Royalty and commission expenses	-144	-134	-7%
Administration	-137	-156	14%
Other operating income/expenses	-128	-4	-97%
Research and development	-379	-504	33%
EBIT	482	429	-11%
Depreciation and amortization	315	353	12%
EBITDA	796	781	-2%
One-time items on EBITDA	34	75	>100%
EBITDA (pre-one time items)	831	857	3%
Financial result	-52	-57	10%
Profit before tax	430	372	-14%
Income tax	-87	-122	40%
Income tax rate	20%	33%	
Profit after tax	343	250	-27%
Non-controlling interest	-3	-1	-73%
Net income	340	249	-27%
Number of theoretical shares in million	434.8	434.8	
EPS in €	0.78	0.57	-27%
EPS (pre one-time items) in €	1.15	1.15	0%

Biopharmaceuticals

P&L MS	Q3 2013	Q3 2014	% YoY
Sales	1,413	1,465	4%
Royalty, license and commission income	85	26	-69%
Total revenues	1,498	1,491	0%
Cost of sales	-250	-291	16%
thereof: intangibles amortization	0	0	n.m.
Gross profit	1,247	1,200	-4%
Marketing and selling expenses	-428	-433	1%
thereof: intangibles amortization	-144	-134	-7%
Royalty and commission expenses	-139	-128	-8%
Administration	-49	-55	12%
Other operating income/expenses	-95	63	n.m.
Research and development	-296	-410	39%
EBIT	240	237	-2%
Depreciation and amortization	205	199	-3%
EBITDA	446	436	-2%
One-time items on EBITDA	22	13	-42%
EBITDA (pre-one time items)	467	449	-4%

Consumer Health

P&L CH	Q3 2013	Q3 2014	% YoY
Sales	201	204	1%
Royalty, license and commission income	1	1	73%
Total revenues	202	205	2%
Cost of sales	-61	-63	4%
thereof: intangibles amortization	0	0	n.m.
Gross profit	141	142	1%
Marketing and selling expenses	-72	-77	7%
thereof: intangibles amortization	-1	-1	19%
Royalty and commission expenses	-1	-2	>100%
Administration	-6	-7	19%
Other operating income/expenses	-2	-8	>100%
Research and development	-6	-5	-9%
EBIT	55	42	-24%
Depreciation and amortization	2	2	28%
EBITDA	57	45	-22%
One-time items on EBITDA	1	4	>100%
EBITDA (pre-one time items)	58	49	-17%

Performance Materials

P&L PM	Q3 2013	Q3 2014	% YoY
Sales	406	576	42%
Royalty, license and commission income	0	0	-81%
Total revenues	407	576	42%
Cost of sales	-149	-301	>100%
thereof: intangibles amortization	0	-18	>100%
Gross profit	258	275	7%
Marketing and selling expenses	-38	-45	18%
thereof: intangibles amortization	-3	-3	4%
Royalty and commission expenses	0	-1	>100%
Administration	-7	-18	>100%
Other operating income/expenses	1	-14	n.m.
Research and development	-37	-45	23%
EBIT	177	152	-14%
Depreciation and amortization	26	65	>100%
EBITDA	202	218	8%
One-time items on EBITDA	-5	25	n.m.
EBITDA (pre-one time items)	197	243	23%

Life Science

P&L MM	Q3 2013	Q3 2014	% YoY
Sales	639	661	3%
Royalty, license and commission income	6	4	-44%
Total revenues	645	664	3%
Cost of sales	-275	-292	6%
thereof: intangibles amortization	-12	-12	0%
Gross profit	371	372	0%
Marketing and selling expenses	-209	-206	-2%
thereof: intangibles amortization	-38	-38	0%
Royalty and commission expenses	-4	-4	-9%
Administration	-25	-26	6%
Other operating income/expenses	-26	-23	-10%
Research and development	-40	-42	4%
EBIT	67	72	8%
Depreciation and amortization	78	78	0%
EBITDA	145	150	3%
One-time items on EBITDA	12	11	-13%
EBITDA (pre-one time items)	157	161	2%