



# FY 2014 Results Conference Call

Strategic progress and delivery of results

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This communication may include “forward-looking statements.” Statements that include words such as “anticipate,” “expect,” “should,” “would,” “intend,” “plan,” “project,” “seek,” “believe,” “will,” and other words of similar meaning in connection with future events or future operating or financial performance are often used to identify forward-looking statements. All statements in this communication, other than those relating to historical information or current conditions, are forward-looking statements. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond control of Merck KGaA, Darmstadt, Germany, which could cause actual results to differ materially from such statements.

Risks and uncertainties relating to the proposed transaction with Sigma-Aldrich Corporation (“Sigma-Aldrich”) include, but are not limited to: 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.

Additional risks and uncertainties include, but are not limited to: the risks of more restrictive regulatory requirements regarding drug pricing, reimbursement and approval; the risk of stricter regulations for the manufacture, testing and marketing of products; the risk of destabilization of political systems and the establishment of trade barriers; the risk of a changing marketing environment for multiple sclerosis products in the European Union; the risk of greater competitive pressure due to biosimilars; the risks of research and development; the risks of discontinuing development projects and regulatory approval of developed medicines; the risk of a temporary ban on products/production facilities or of non-registration of products due to non-compliance with quality standards; the risk of an import ban on products to the United States due to an FDA warning letter; the risks of dependency on suppliers; risks due to product-related crime and espionage; risks in relation to the use of financial instruments; liquidity risks; counterparty risks; market risks; risks of impairment on balance sheet items; risks from pension obligations; risks from product-related and patent law disputes; risks from antitrust law proceedings; risks from drug pricing by the divested Generics Group; risks in human resources; risks from e-crime and cyber attacks; risks due to failure of business-critical information technology applications or to failure of data center capacity; environmental and safety risks; unanticipated contract or regulatory issues; a potential downgrade in the rating of the indebtedness of Merck KGaA, Darmstadt, Germany, or Sigma-Aldrich; downward pressure on the common stock price of Merck KGaA, Darmstadt, Germany, or Sigma-Aldrich and its impact on goodwill impairment evaluations; the impact of future regulatory or legislative actions; and the risks and uncertainties detailed by Sigma-Aldrich with respect to its business as described in its reports and documents filed with the U.S. Securities and Exchange Commission (the “SEC”).

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.

# Agenda

## **Executive overview**

Strategy update

Financial review

Outlook and guidance

# 2014: A year of strategic progress

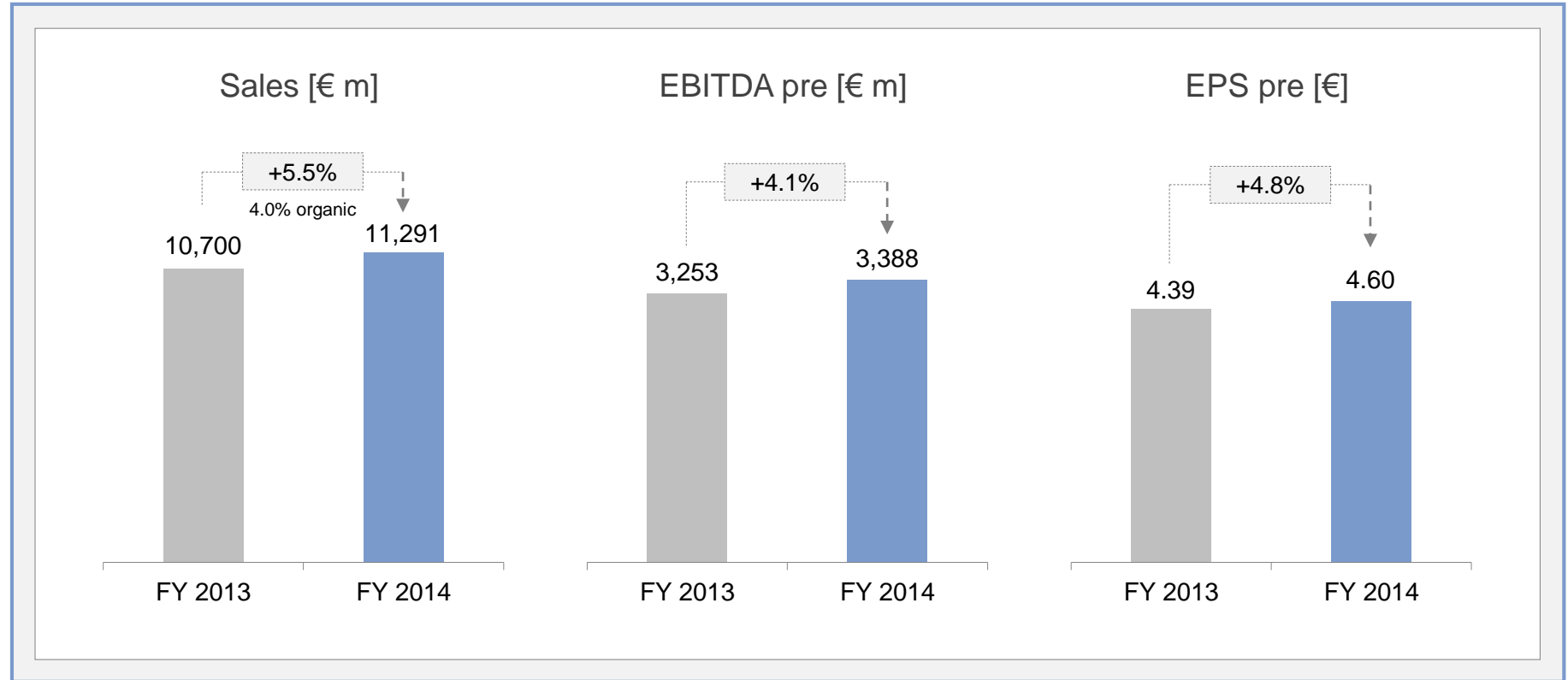
## Execution of “Fit for 2018” growth strategy

- ▶ Closing and successful integration of AZ Electronic Materials
- ▶ Announcement of Sigma-Aldrich acquisition
- ▶ Signing of alliance with Pfizer to leverage iOnc pipeline

## Sound financial performance

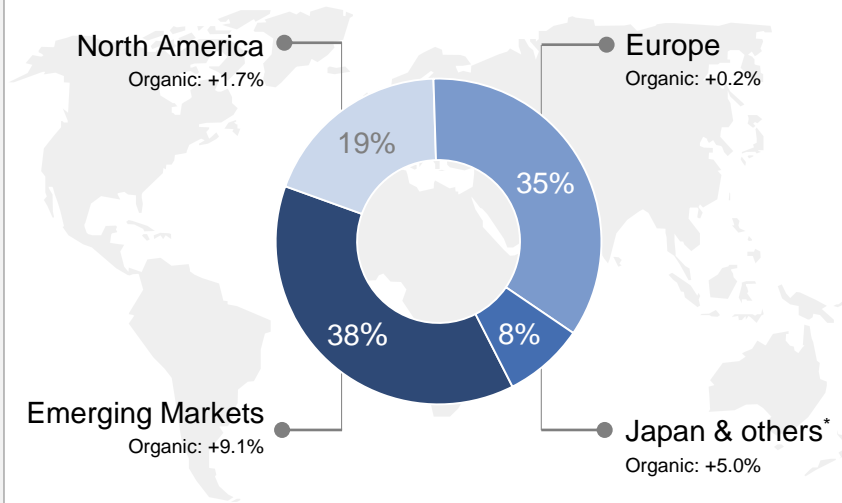
- ▶ Delivery on targets:  
Sales €11.3 bn, EBITDA pre €3.388 bn, EPS pre €4.60
- ▶ Organic growth across all divisions
- ▶ Rapid deleveraging following AZ acquisition

# FY 2014: We are on track to deliver results

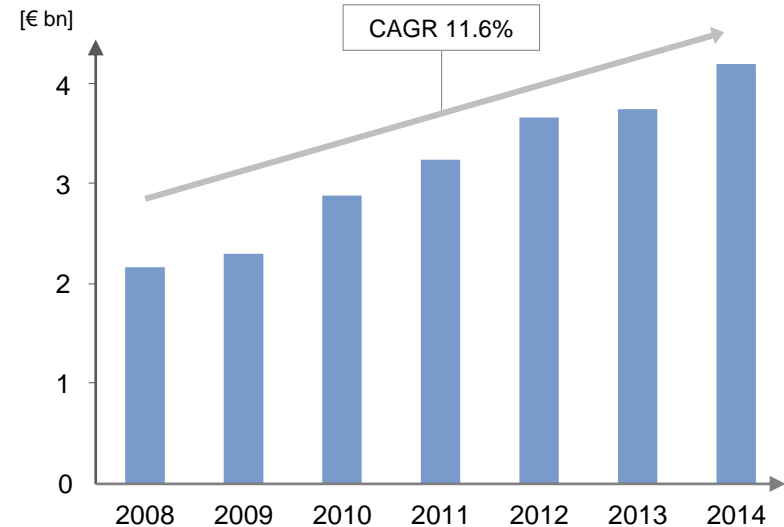


# Emerging Markets – Growth continues

Group FY 2014 sales by region



Group: Emerging Markets sales development



Emerging Markets sales doubled within 6 years

\*Australia/Oceania, Africa

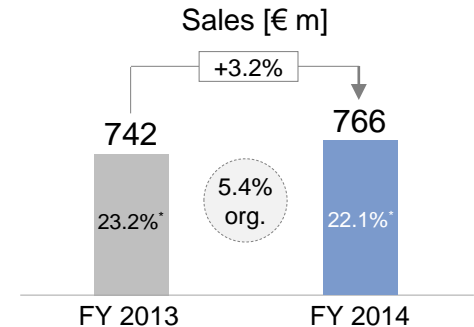
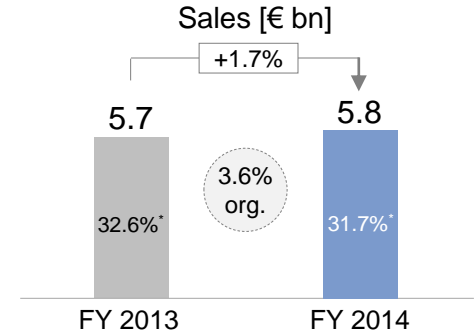
# Divisional overview – Biopharmaceuticals and Consumer Health

## Biopharmaceuticals

- ▶ Good performance of Erbitux and Fertility – Rebif stable despite strong competition
- ▶ Emerging Markets platform driving growth
- ▶ Pipeline advancing with continued focus on strategic R&D projects like anti-PD-L1 amid stringent prioritization

## Consumer Health

- ▶ Good development of Neurobion and Floratil especially in emerging markets
- ▶ Good performance of Femibion in mature markets
- ▶ Softer margin mainly due to investments in growth



\*EBITDA pre margin in % of sales



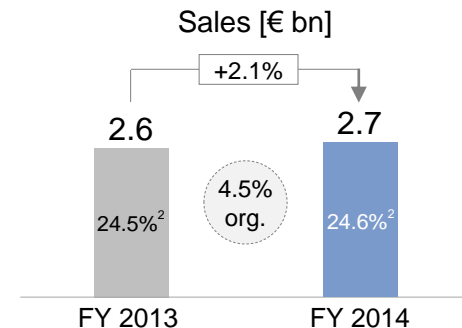
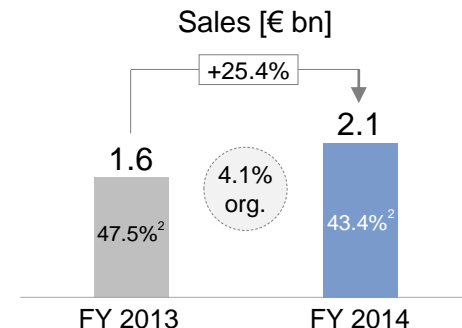
# Divisional overview – Performance Materials and Life Science

## Performance Materials

- ▶ High share in liquid crystals market underlines innovation leadership
- ▶ Large premium TV demand fuels IPS & PS-VA growth; successful launch of UB-FFS<sup>1</sup> for small devices
- ▶ AZ integration completed

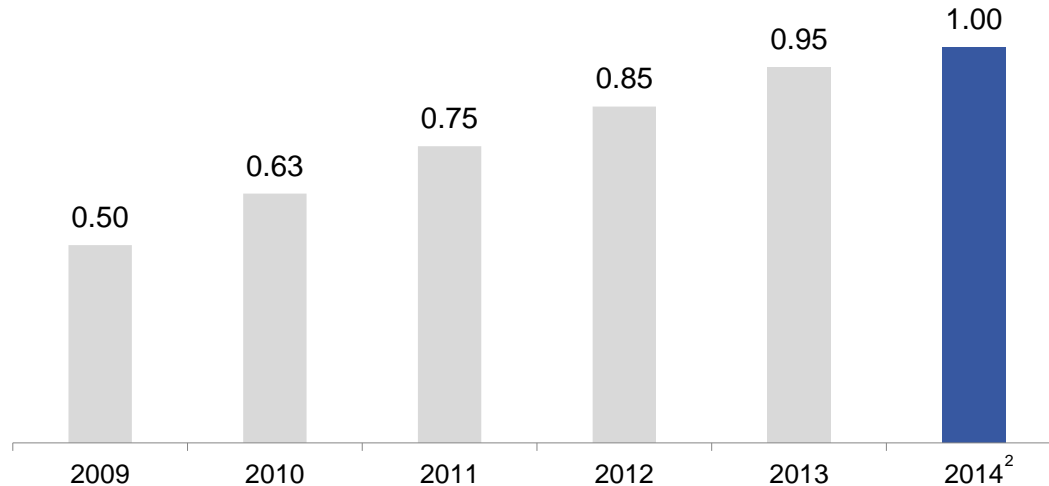
## Life Science

- ▶ Biopharma production and Emerging Markets drive organic growth in Process Solutions
- ▶ Consumables-driven business model yields another year of steady growth
- ▶ Further enhanced customer proximity and continuous innovation



<sup>1</sup>Ultra brightness fringe field switching; <sup>2</sup>EBITDA pre margin in % of sales

Dividend<sup>1</sup> development 2009-2014<sup>2</sup>



2014 dividend and policy

- Dividend of €1 per share proposed<sup>1</sup> for 2014
- Dividend increase in line with earnings progression – 2014: +5.3% yoy
- Last years' dividend constitutes the minimum level<sup>3</sup>
- Aiming at corridor of 20-25% of EPS pre

<sup>1</sup>Adjusted for share split, which has been effective since June 30, 2014; <sup>2</sup>Proposal; final decision subject to Annual General Meeting approval; <sup>3</sup>Assuming a stable economic environment

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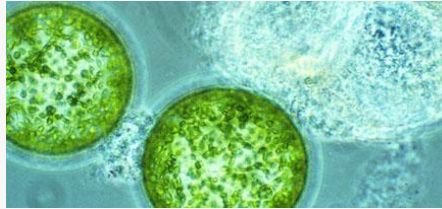
Outlook and guidance

# The Group going forward – three distinct business sectors support profitable growth

## Healthcare\*



## Life Science



## Performance Materials



## Strategic requirements

- Diversification
- Attractive markets
- High-margin businesses
- Overlapping core competencies (customer intimacy, innovation, quality, life cycle management)
- Company-specific culture

\*Healthcare includes Biopharmaceuticals, Consumer Health, Biosimilars and Allergopharma

# AZ – Complementing Performance Materials, expanding innovation leadership in niche markets

Merck KGaA  
Darmstadt · Germany

Healthcare

Life Science

Performance Materials

Merck KGaA

Darmstadt · Germany



ELECTRONIC MATERIALS

## Ongoing development in Liquid Crystals



- Launch of new UB-FFS\* mode - enhancing light transmission and reducing energy consumption
- Further advancing future technologies e.g. liquid crystal windows

## Research in advanced technologies



EPSON®

- Collaboration with EPSON on OLED progressing well
- Development of new proprietary OLED materials and LED phosphors - launch of a vivid green

## R&D projects from AZ



- Si-tech materials for OLED encapsulant
- Graphene-based materials in Separators, Anodes and Cathodes

Successful integration of AZ completed in 2014

\*Ultra brightness fringe field switching

# Sigma-Aldrich – Next step to enhance Life Science business sector

Merck KGaA  
Darmstadt · Germany

Healthcare

Life Science

Performance Materials

Merck KGaA  
Darmstadt · Germany



Broad and complementary  
product fit in attractive segments



Expanding global reach and scale



Leveraging operational excellence  
to deliver superior value to customers



Announcement  
(Sept. 22, 2014)

Sigma shareholder approval  
(Dec. 5, 2014)

U.S. and other\* anti-trust  
approvals (U.S. - Dec. 23, 2014)

All relevant anti-trust reviews  
on track (January, 2015)

Closing  
(Expected mid-year 2015)

\*Russia, Serbia, Ukraine and Taiwan

# Pfizer collaboration – Acceleration and broadening of immuno-oncology pipeline

Merck KGaA  
Darmstadt · Germany

Healthcare

Life Science

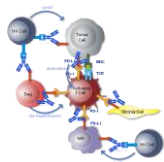
Performance Materials

Merck KGaA  
Darmstadt · Germany

&

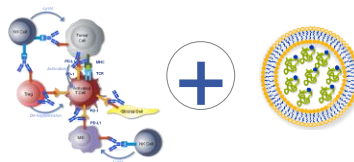


## Leverage anti-PD-L1 asset



- Avelumab\* with over 700 patients already enrolled in PI/II
- Initiation of several pivotal studies in 2015 e.g.:
  - Lung, bladder, renal, ovarian, gastric

## Tackle combination therapies



- Enlarge pool of potential combinations
- Combination studies in 2015 e.g.:
  - Axitinib (Inlyta) in renal cancer
  - Crizotinib (Xalkori) ALK/ROS in lung cancer

## Build commercialization strength

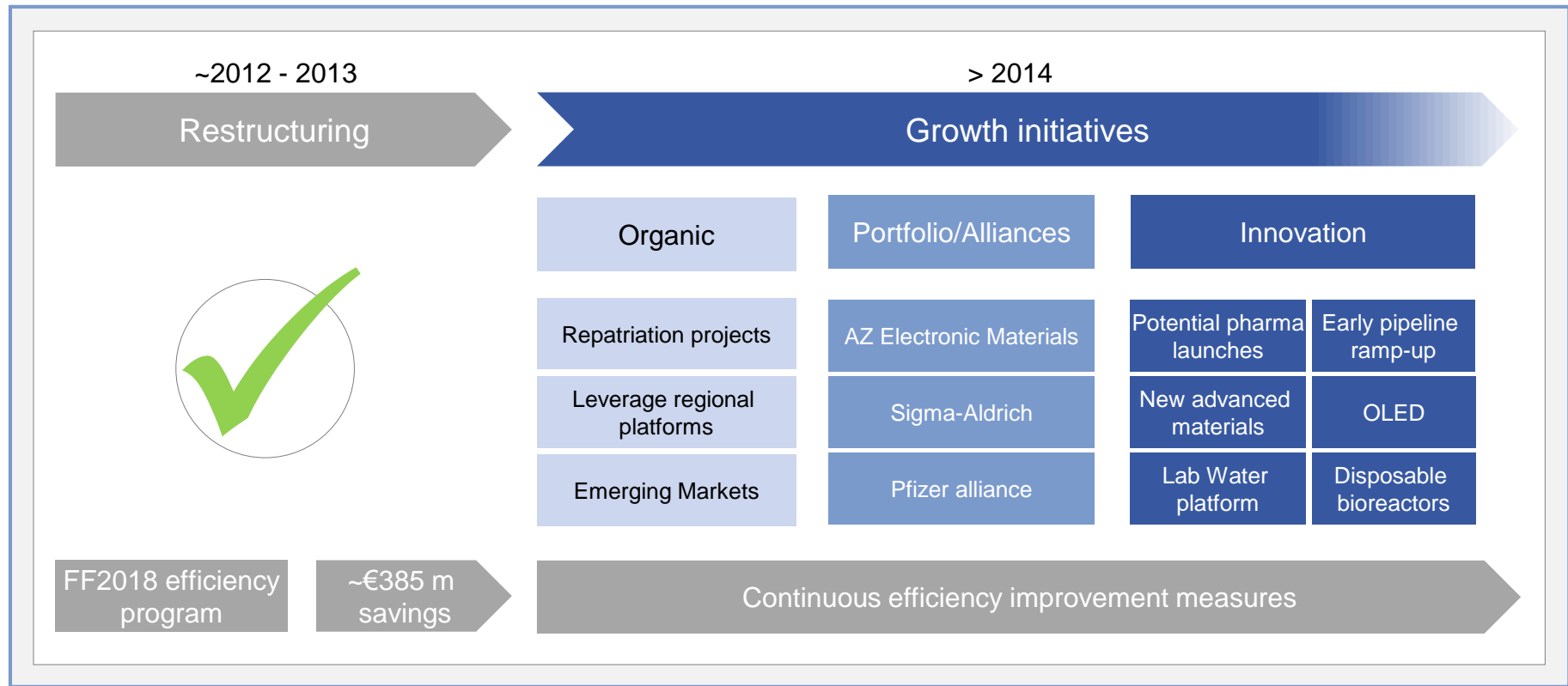


- Co-commercialization of Xalkori in U.S. and other key markets
- Ramp-up of Oncology infrastructure and capabilities in 2015, especially in U.S.

\*Avelumab = proposed International Non-proprietary Name (INN), formerly referred to as Anti-PD-L1 mAb (MSB0010718C)

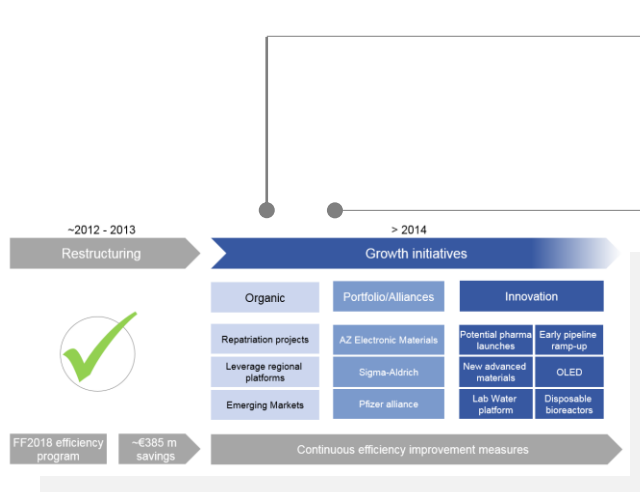
# Strategic agenda 2018 – milestones achieved

Merck KGaA  
Darmstadt · Germany





# Strategic agenda 2018 – milestones achieved



## ▪ Repatriation projects:

- Glucophage and Euthyrox from Takeda in Russia
- Co-promotion agreement with BMS<sup>1</sup> for Glucophage in China
- Transfer of full promotional responsibilities for Erbitux in Japan

## ▪ Leverage regional platforms:

- Transfer of Neurobion & Floratil to Consumer Health
- Strategic partnership with Lupin to broaden GM<sup>2</sup> portfolio

## ▪ Emerging Markets:

- Healthcare focus on strategic markets such as China & Brazil
- Investments in regional sites (Nantong – China)

## ▪ Portfolio and alliances:

- AZ closed and integrated in 2014
- Proposed Sigma acquisition expected to close mid 2015
- Strategic alliance with Pfizer in immuno-oncology

## ▪ Innovation:

- Launch of UB-FFS as well as progress in OLED
- New innovation center in corporate HQ

<sup>1</sup>Bristol-Myers Squibb; <sup>2</sup>General Medicine

# 2014 – a solid foundation for future growth

▶ Key steps in portfolio transformation taken



▶ Continued implementation of “Fit for 2018” strategy



▶ Solid financials – delivered on guidance



▶ Operational discipline kept at high level



▶ Poised for future growth



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Outlook and guidance

# FY 2014: Another year of sound delivery

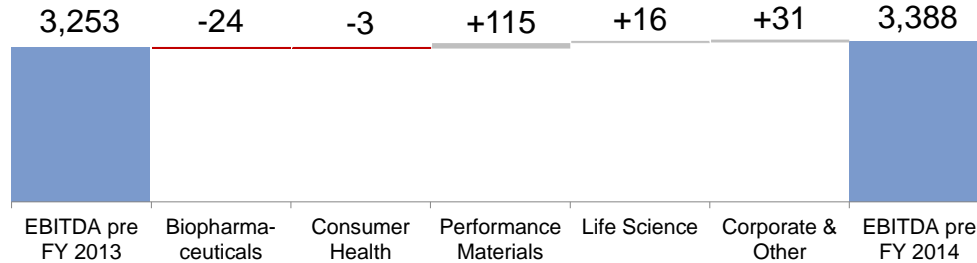
[€ m]	FY 2013	FY 2014	Δ
<b>Sales</b>	<b>10,700</b>	<b>11,291</b>	<b>5.5%</b>
<b>EBITDA pre</b>	<b>3,253</b>	<b>3,388</b>	<b>4.1%</b>
<i>Margin (% of sales)</i>	<i>30.4%</i>	<i>30.0%</i>	
<b>EPS pre [€]</b>	<b>4.39</b>	<b>4.60</b>	<b>4.8%</b>
<b>Operating cash flow</b>	<b>2,226</b>	<b>2,705</b>	<b>21.6%</b>
[€ m]	Dec 31, 2013	Dec. 31, 2014	Δ
<b>Net financial debt</b>	<b>307</b>	<b>559</b>	<b>82.3%</b>
<b>Working capital</b>	<b>2,132</b>	<b>2,356</b>	<b>10.5%</b>
<b>Employees</b>	<b>38,154</b>	<b>39,639</b>	<b>3.9%</b>

FY 2014
<ul style="list-style-type: none"> <li>▪ Sales, EBITDA pre and EPS pre increase on organic growth and AZ</li> <li>▪ Operating cash flow benefits from Pfizer upfront payment</li> <li>▪ Only slight increase in financial debt, AZ acquisition digested within a year</li> <li>▪ Higher headcount includes employees from AZ</li> </ul>

# All businesses drive organic growth

FY 2014 YoY sales	Organic	Currency	Portfolio	Total
Biopharmaceuticals	3.6%	-1.9%	0.0%	1.7%
Consumer Health	5.4%	-2.2%	0.0%	3.2%
Performance Materials	4.1%	-1.5%	22.8%	25.4%
Life Science	4.5%	-1.7%	-0.7%	2.1%
<b>Group</b>	<b>4.0%</b>	<b>-1.8%</b>	<b>3.3%</b>	<b>5.5%</b>

## FY YoY EBITDA pre contributors [€ m]



- All Biopharmaceuticals franchises deliver organic growth; Rebif stable
- Volume growth in Liquid Crystals drives Performance Materials
- Life Science benefits from strong demand from biopharma industry
- Biopharmaceuticals affected by royalty income loss and higher production costs
- Performance Materials includes eight months of AZ contribution
- Life Science with solid organic performance
- Corporate contains ~€45 m hedging gains

# Reported EPS burdened by normalization of tax rate

[€ m]	FY 2013	FY 2014	Δ
<b>EBIT</b>	<b>1,611</b>	<b>1,762</b>	<b>9.4%</b>
Financial result	-222	-205	-7.7%
<b>Profit before tax</b>	<b>1,389</b>	<b>1,557</b>	<b>12.1%</b>
Income tax	-180	-392	>100%
<i>Tax rate (%)</i>	<i>12.9%</i>	<i>25.2%</i>	
<b>Net income</b>	<b>1,202</b>	<b>1,157</b>	<b>-3.7%</b>
<b>EPS (€)</b>	<b>2.77</b>	<b>2.66</b>	<b>-4.0%</b>

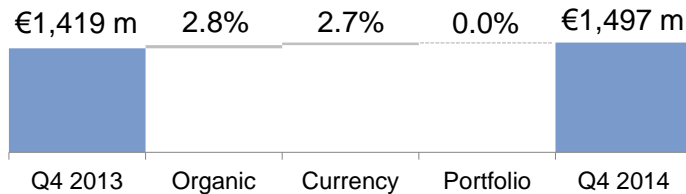
## Reported results

- EBIT increases due to operational performance and lower impairments
- Financial result improved mainly from decreasing interest expenses after bond repayment last year
- Tax rate 2013 was impacted by beneficial tax rulings

# Q4 - Biopharmaceuticals: Emerging Markets drive organic growth

[€ m]	Q4 2013 <sup>1</sup>	Q4 2014
<b>Sales</b>	<b>1,419</b>	<b>1,497</b>
Marketing and selling	-449	-459
Admin	-53	-56
R&D	-265	-323
<b>EBIT</b>	<b>116</b>	<b>244</b>
EBITDA	455	478
<b>EBITDA pre</b>	<b>475</b>	<b>492</b>
<i>Margin (% of sales)</i>	33.5%	32.9%

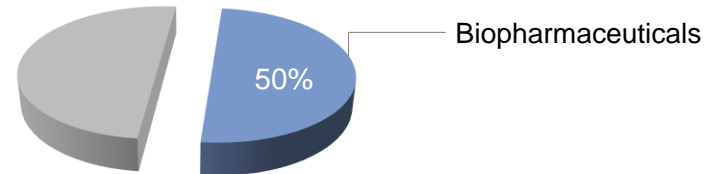
Sales bridge



Comments

- Rebif organically lower as European and U.S. volume losses to competition from oral therapies outweigh U.S. pricing initiatives
- Erbitux with good organic performance driven by commercial initiatives in Emerging Markets
- Strong demand for entire Fertility portfolio in all regions
- Continued pipeline prioritization (pimasertib, Sym004) increase R&D expenses
- EBITDA pre increases due to organic growth; litigation settlement balances one-time R&D expenses and higher LTIP<sup>2</sup> provisions

Q4 2014 share of group sales

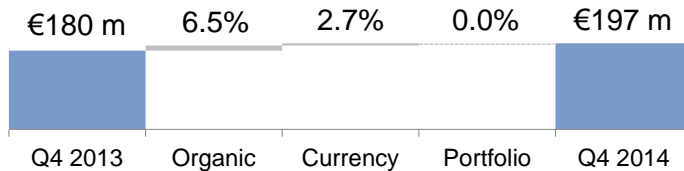


<sup>1</sup>Restated for product reclassification of Neurobion and Floratil from Biopharmaceuticals to Consumer Health; <sup>2</sup>Long Term Incentive Plan

# Q4 - Consumer Health: Strong volumes amid investments in marketing and selling

[€ m]	Q4 2013*	Q4 2014
<b>Sales</b>	<b>180</b>	<b>197</b>
Marketing and selling	-72	-86
Admin	-9	-7
R&D	-5	-7
<b>EBIT</b>	<b>36</b>	<b>34</b>
EBITDA	38	37
<b>EBITDA pre</b>	<b>39</b>	<b>38</b>
<i>Margin (% of sales)</i>	<i>21.9%</i>	<i>19.4%</i>

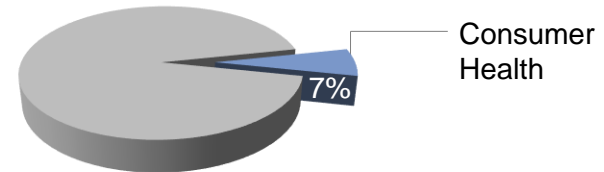
Sales bridge



Comments

- Sound organic sales growth supported by currency tailwinds
- Investments in global marketing initiatives drive growth in Emerging Markets, especially Neurobion and Floratil in Brazil
- Good performance of cough and cold products in Europe
- Femibion reaches record market share in Germany
- EBITDA pre almost stable as organic growth is offset by higher marketing and selling costs

Q4 2014 share of group sales



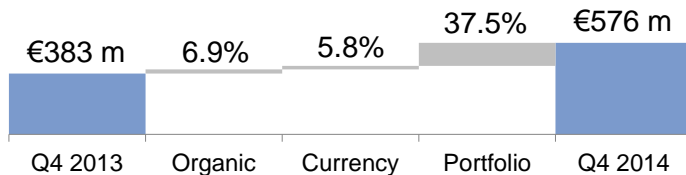
\*Restated for product reclassification of Neurobion and Floratil from Biopharmaceuticals to Consumer Health



# Q4 - Performance Materials: A strong quarter

[€ m]	Q4 2013	Q4 2014
<b>Sales</b>	<b>383</b>	<b>576</b>
Marketing and selling	-36	-50
Admin	-6	-15
R&D	-37	-48
<b>EBIT</b>	<b>134</b>	<b>170</b>
EBITDA	155	229
<b>EBITDA pre</b>	<b>167</b>	<b>239</b>
<i>Margin (% of sales)</i>	<i>43.5%</i>	<i>41.6%</i>

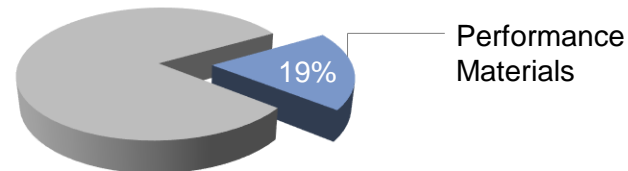
Sales bridge



Comments

- Sales jump on portfolio effect, strong organic growth & FX tailwinds
- Volume growth in Liquid Crystals remains largest contributor to organic performance
- Strong demand for ultra-high-definition TV's (PS-VA) and mobile devices (IPS & UB-FFS) key success factor
- Significant EBITDA pre increase driven by AZ and strong organic growth
- EBITDA pre margin reflects mix effect from AZ

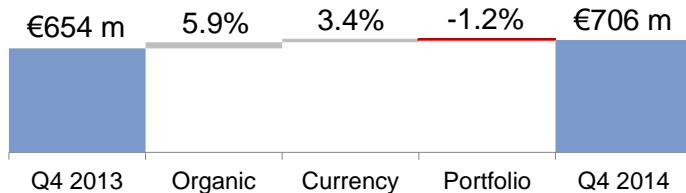
Q4 2014 share of group sales



# Q4 – Life Science: Process Solutions drives growth

[€ m]	Q4 2013	Q4 2014
<b>Sales</b>	<b>654</b>	<b>706</b>
Marketing and selling	-206	-231
Admin	-25	-30
R&D	-38	-43
<b>EBIT</b>	<b>51</b>	<b>55</b>
EBITDA	145	135
<b>EBITDA pre</b>	<b>168</b>	<b>163</b>
<i>Margin (% of sales)</i>	<i>25.7%</i>	<i>23.0%</i>

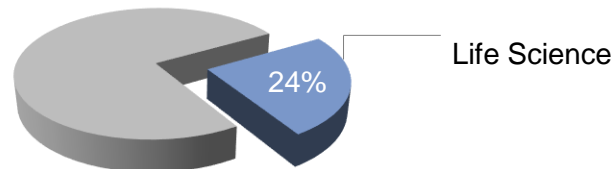
Sales bridge



Comments

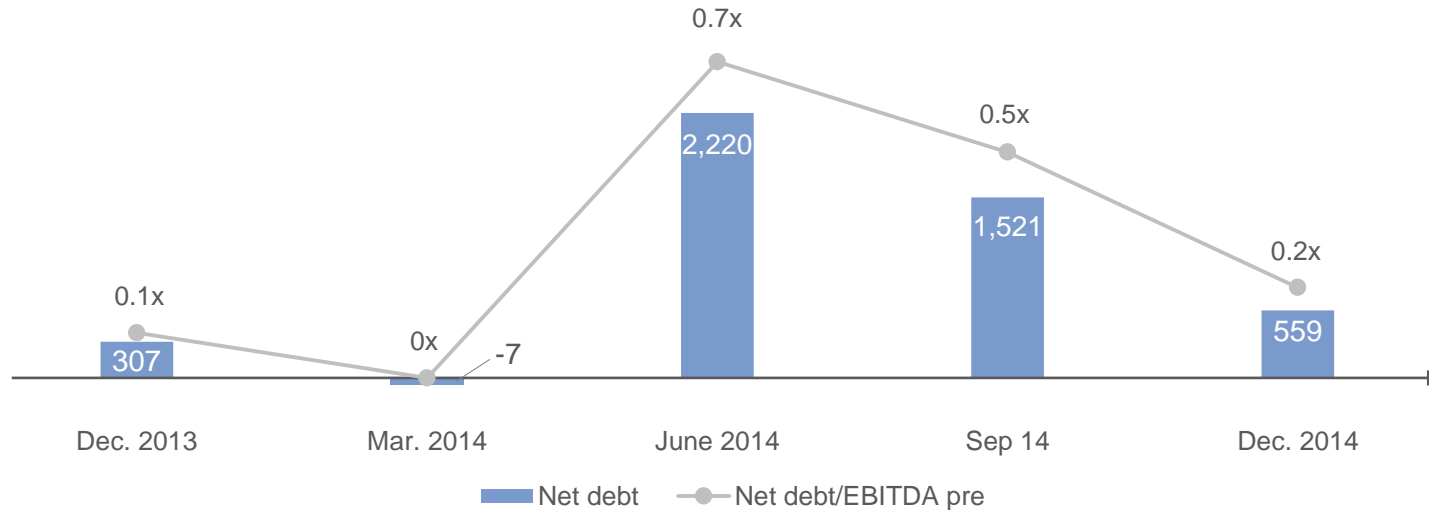
- Good organic growth and FX, slightly offset by portfolio changes
- Strong demand from biopharma industry for single-use equipment and purification consumables drives growth at Process Solutions
- Lab Solutions with good performance from price and volume uptakes especially in lab water consumables
- Bioscience almost flat as good development of separation and preparation products is offset by low demand for antibodies
- EBITDA pre affected by investments in marketing and selling, higher LTIP\* provisions and unfavorable product mix

Q4 2014 share of group sales



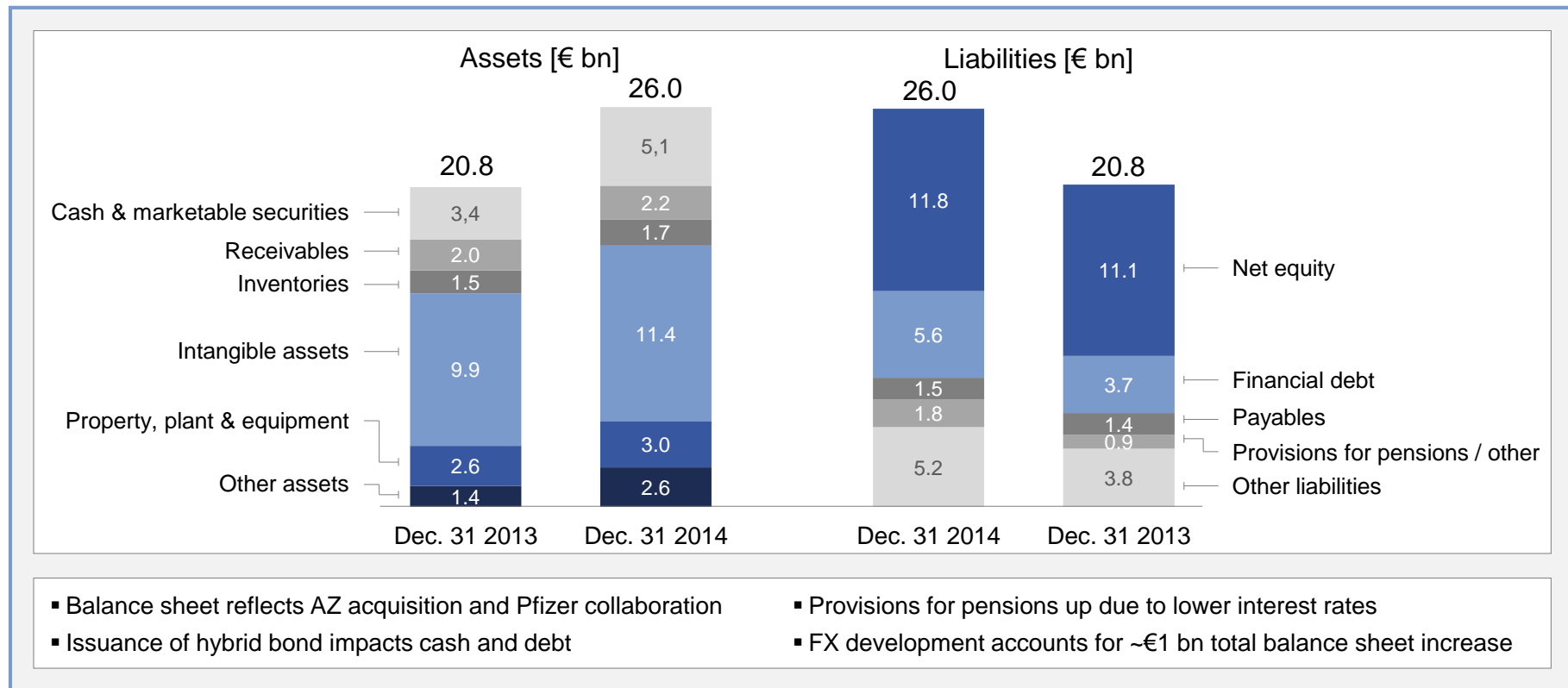
# Swift deleveraging following AZ acquisition

Net debt [€ m] and net debt/EBITDA pre\* development 2014



\*Last twelve months

# Balance sheet: Reflecting strategic M&A moves



Totals may not add up due to rounding

# Operating cash flow increase driven by Pfizer

[€ m]	FY 2013	FY 2014	Δ
<b>Profit after tax</b>	<b>1,209</b>	<b>1,165</b>	<b>-44</b>
D&A	1,458	1,361	-97
Changes in provisions	-203	-342	-139
Changes in other assets / liabilities	-260	471	731
Other operating activities	-3	9	12
Changes in working capital	25	41	16
<b>Operating cash flow</b>	<b>2,226</b>	<b>2,705</b>	<b>479</b>
<b>Investing cash flow</b>	<b>-875</b>	<b>-1,641</b>	<b>-766</b>
thereof Capex*	-407	-481	-74
<b>Financing cash flow</b>	<b>-1,073</b>	<b>761</b>	<b>1,834</b>

## Cash flow drivers

- Decrease in D&A YoY due to 2013 impairments
- Changes in provisions reflect release from litigation settlement
- Changes in other assets/liabilities increase from Pfizer upfront payment
- Investing cash flow reflects payment for AZ and cash investments in short term assets
- Capex increases mainly due to investment in new plant in China
- Financing cash flow positive mainly driven by cash in from hybrid bond; last year reflects bond repayment

\*Only PPE, not including software  
Totals may not add up due to rounding

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Executive overview

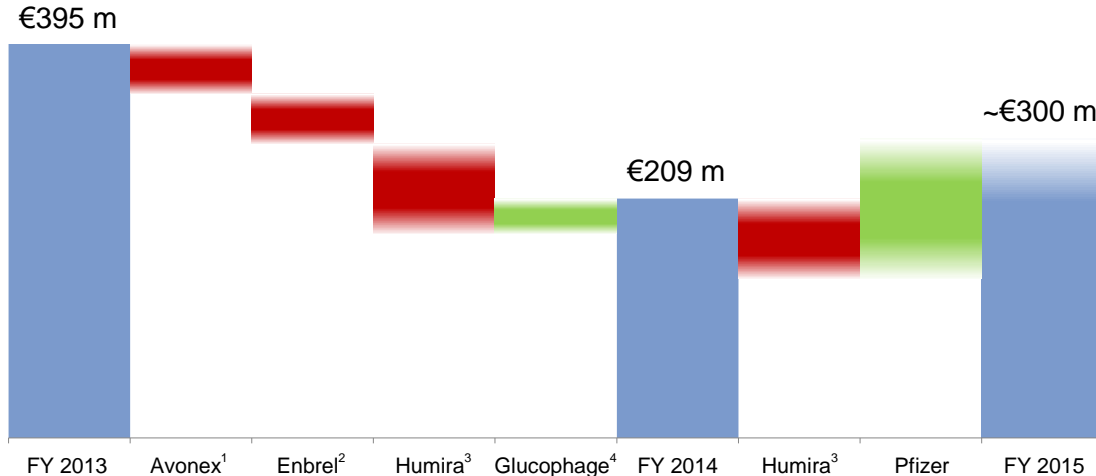
Strategy update

Financial review

**Outlook and guidance**

# Food for thought on royalty, license and commission income

Royalty, license and commission income bridge 2013 - 2015



Details and future changes

- Pfizer deal contains release of upfront and Xalkori accruals
- New reporting starting 2015:
  - Net Sales will include commission and profit share income
  - Royalty & license income will be within Other Operating Income
  - Royalty, license and commission expenses will be allocated to individual functional lines

Illustration; <sup>1</sup>Avonex patent expired in May 2013; <sup>2</sup>Enbrel patent expired in November 2013; <sup>3</sup>Humira royalty income expired June 30, 2014;

<sup>4</sup>Commission income due to co-promotion agreement for Glucophage with BMS in China – shown in net sales in 2015

## Healthcare

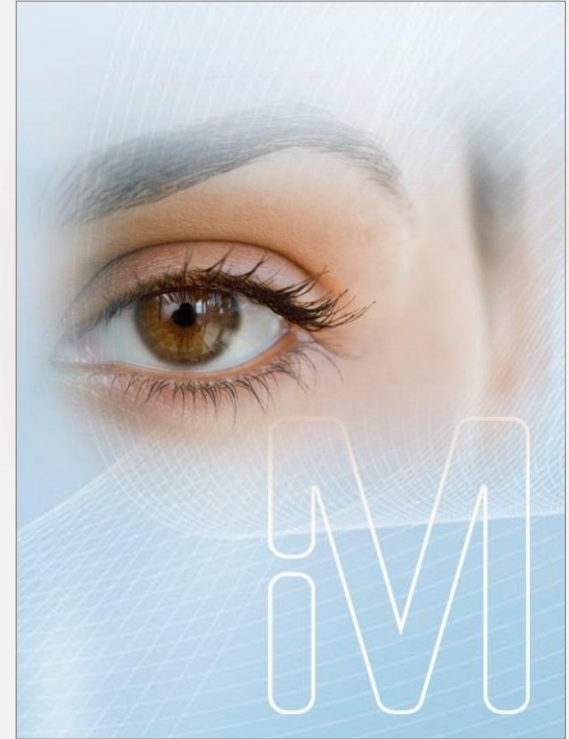
Continuous market growth in emerging markets  
Mature markets driven by launches of innovative products  
Consumer market is expected to grow mid-single digit

## Life Science

Biotech IPO's drive R&D investments  
Molecules in pharma-pipelines support Process Solutions  
Academia research market still soft

## Performance Materials

LC display market growth fueled by trend to larger displays  
Wafer production increase due to rising demand for big data  
World automotive market forecasted to show low-single digit growth





## Group guidance for 2015

Slight organic sales growth

EBITDA pre\* slightly higher, at least stable

### 2015 key influencing factors

- |   |   |
|---|---|
| - R&D costs from PD-L1 & TH302 buy-up   | + 4 months AZ contribution              |
| - 6 months loss of Humira royalties     | + Currency tailwinds                    |
| - Strong competitive pressure for Rebif | + Operational performance & org. growth |



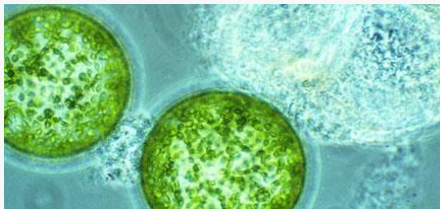
\*Without potential 2015 portfolio additions

## Healthcare



- Organically stable top line
- Rebif decline
- Growth in other franchises
- EBITDA pre slightly lower

## Life Science



- Moderate organic sales growth
- Process solutions key growth contributor
- Moderate EBITDA pre increase

## Performance Materials



- Slight organic growth
- Strong AZ portfolio effect leads to low double-digit EBITDA pre increase

Group 2015: EBITDA pre\* slightly higher - at least stable

Slight organic sales growth

# Merck KGaA

Darmstadt · Germany

# Appendix

# Additional financial guidance

## Further financial details

Group royalty, license and commission income in 2015	~€300 m
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Corporate & Other EBITDA pre	at least -€220 m
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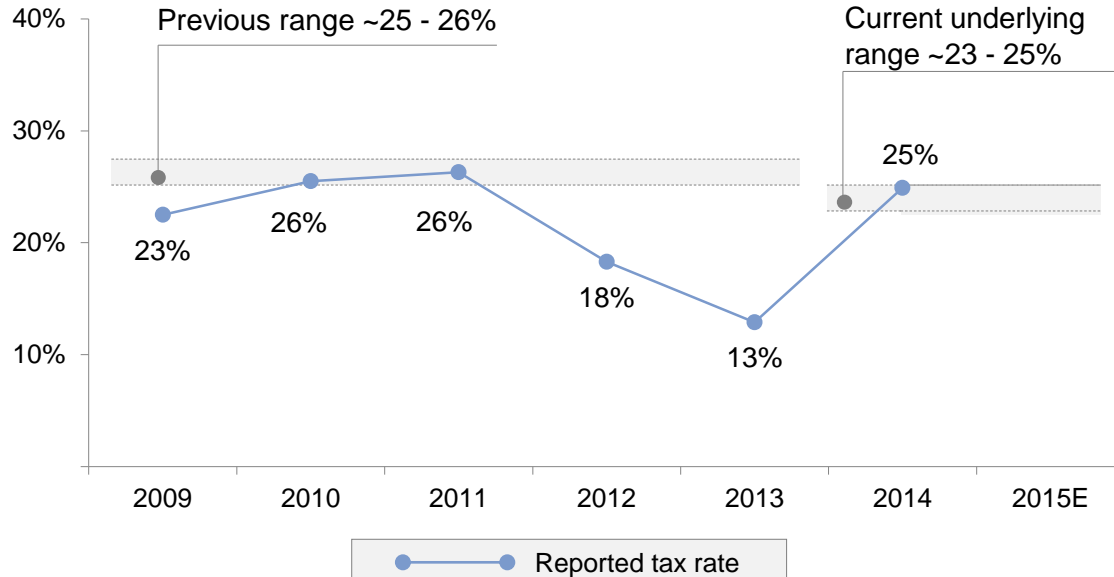
Underlying tax rate	~23% to 25%
---------------------	-------------

Capex on PPE and software	~€600 m
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# Underlying tax rate remains unchanged

Tax rate development 2009-2014



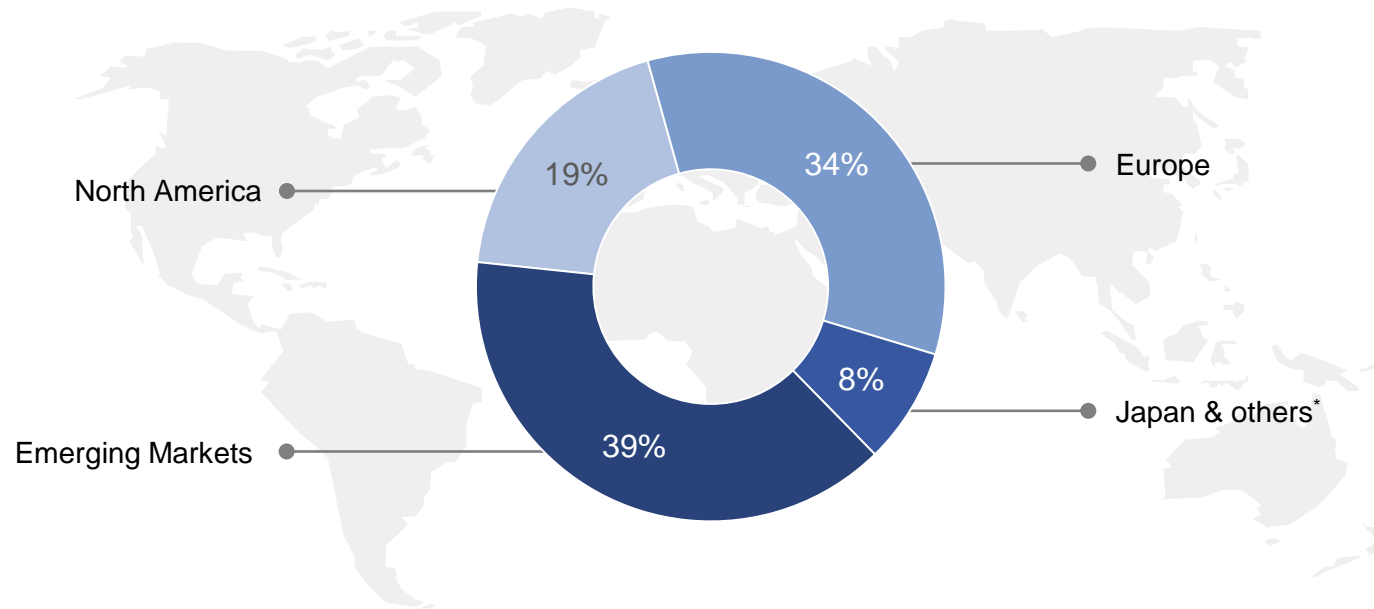
Tax rate rationale

- Underlying tax rate of 23 - 25% due to beneficial tax rulings in several countries
- 2012 and 2013 contained one-time effects and exceptional tax gains
- 24% rate basis for EPS pre calculation since Q1 2014

**Underlying tax rate  
guidance of 23 to 25%**

# Growing Emerging Markets share

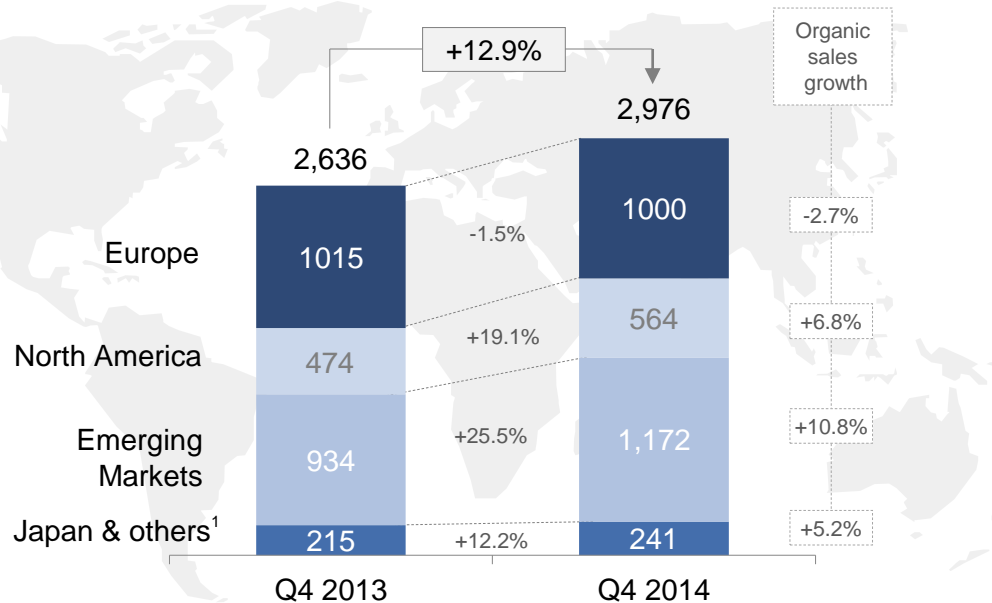
Group Q4 2014 sales by region [in %]



\*Australia/Oceania, Africa

# Emerging Markets main contributor to growth

Regional development of sales [€ m]



Regional details

- Reported sales growth includes AZ contribution esp. EM, NA and Japan
- Chinese market remains driver in Emerging Markets especially for branded generics and fertility products
- North America benefits from bio-pharma demand in Process Solutions
- Japan supported by strong demand for IPS in mobile devices

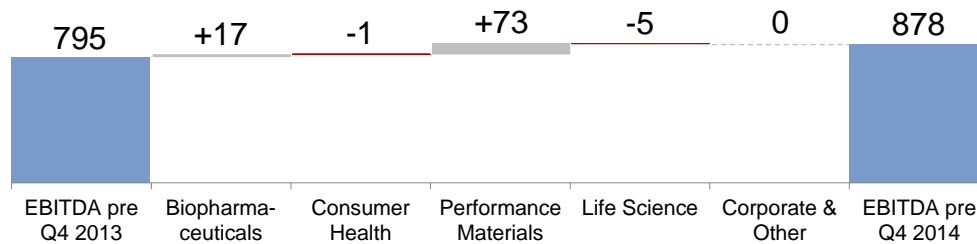
<sup>1</sup>Australia/Oceania, Africa; <sup>2</sup>Emerging Markets; <sup>3</sup>North America  
Totals may not add up due to rounding



# All divisions post organic growth, currency headwinds soften

Q4 YoY sales	Organic	Currency	Portfolio	Total
Biopharmaceuticals	2.8%	2.7%	0.0%	5.5%
Consumer Health	6.5%	2.7%	0.0%	9.2%
Performance Materials	6.9%	5.8%	37.5%	50.2%
Life Science	5.9%	3.4%	-1.2%	8.1%
<b>Group</b>	<b>4.4%</b>	<b>3.3%</b>	<b>5.2%</b>	<b>12.9%</b>

Q4 YoY EBITDA pre contributors [€ m]



- Portfolio reflects the acquisition of AZ Electronic Materials
- Currency tailwinds mainly driven by EUR/USD development

- Performance Materials includes strong organic performance and AZ
- Hedging gains this quarter are leveled out by higher gains last year ( $\Delta \sim -\text{€}6\text{m}$ )

# Q4 2014: Strong year-end performance

[€ m]	Q4 2013	Q4 2014	Δ
<b>Sales</b>	<b>2,636</b>	<b>2,976</b>	<b>12.9%</b>
<b>EBITDA pre</b>	<b>795</b>	<b>878</b>	<b>10.5%</b>
<i>Margin (% of sales)</i>	<i>30.2%</i>	<i>29.5%</i>	
<b>EPS pre [€]</b>	<b>1.06</b>	<b>1.14</b>	<b>7.5%</b>
<b>Operating cash flow</b>	<b>440</b>	<b>1,141</b>	<b>&gt;100%</b>
[€ m]	Dec 31, 2013	Dec 31, 2014	Δ
<b>Net financial debt</b>	<b>307</b>	<b>559</b>	<b>82.3%</b>
<b>Working capital</b>	<b>2,132</b>	<b>2,356</b>	<b>10.5%</b>
<b>Employees</b>	<b>38,154</b>	<b>39,639</b>	<b>3.9%</b>

Q4 2014
<ul style="list-style-type: none"> <li>▪ Organic growth, portfolio effects as well as currency tailwinds drive sales</li> <li>▪ EBITDA pre and EPS pre improve on solid organic performance and AZ despite loss of royalty income</li> <li>▪ Operating cash flow includes Pfizer upfront payment</li> <li>▪ Jump in working capital reflects consolidation of AZ</li> <li>▪ Only slight increase in financial debt, AZ acquisition digested within a year</li> </ul>

# Reported EPS impacted acquisition hedging effects

Merck KGaA  
Darmstadt · Germany

[€ m]	Q4 2013	Q4 2014	Δ
<b>EBIT</b>	<b>264</b>	<b>424</b>	<b>60.4%</b>
Financial result	-63	-63	-0.4%
<b>Profit before tax</b>	<b>201</b>	<b>361</b>	<b>79.5%</b>
Income tax	80	-79	n.m.
<i>Tax rate (%)</i>	-39.9%	21.9%	
<b>Net income</b>	<b>281</b>	<b>280</b>	<b>-0.2%</b>
<b>EPS (€)</b>	<b>0.65</b>	<b>0.64</b>	<b>-1.5%</b>

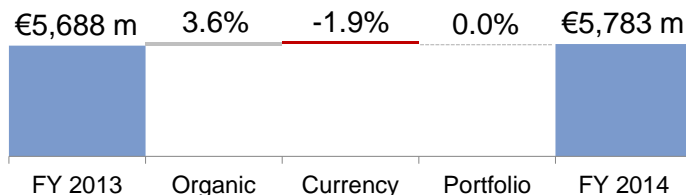
## Reported results

- EBIT up due to lower one-time costs and organic growth
- Last years' tax rate impacted by one-time change in applicable tax rates
- Net income and EPS almost stable as higher EBIT is canceled out by higher income tax

# Biopharmaceuticals: Solid performance supported by all franchises amid royalty income reduction

[€ m]	FY 2013 *	FY 2014
<b>Sales</b>	<b>5,688</b>	<b>5,783</b>
Marketing and selling	-1,814	-1,780
Admin	-202	-220
R&D	-1,178	-1,344
<b>EBIT</b>	<b>793</b>	<b>957</b>
EBITDA	1,787	1,786
<b>EBITDA pre</b>	<b>1,855</b>	<b>1,831</b>
<i>Margin (% of sales)</i>	<i>32.6%</i>	<i>31.7%</i>

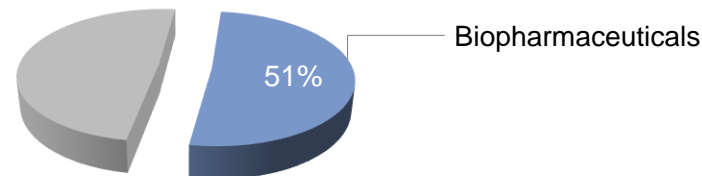
Sales bridge



Comments

- Organic growth partially offset by adverse currency effects
- Rebif organically stable, as U.S. pricing and Q1 wholesaler restocking offset volume declines due to competition from orals
- Solid Erbitux performance driven by growth in Emerging Markets and support from Japan, while Europe is flat
- Strong organic growth of fertility business as a result of good demand for entire portfolio especially from China and U.S.
- R&D reflects pipeline prioritization and Biosimilars initiatives
- Lower profitability owing to royalty decline

FY 2014 share of group sales

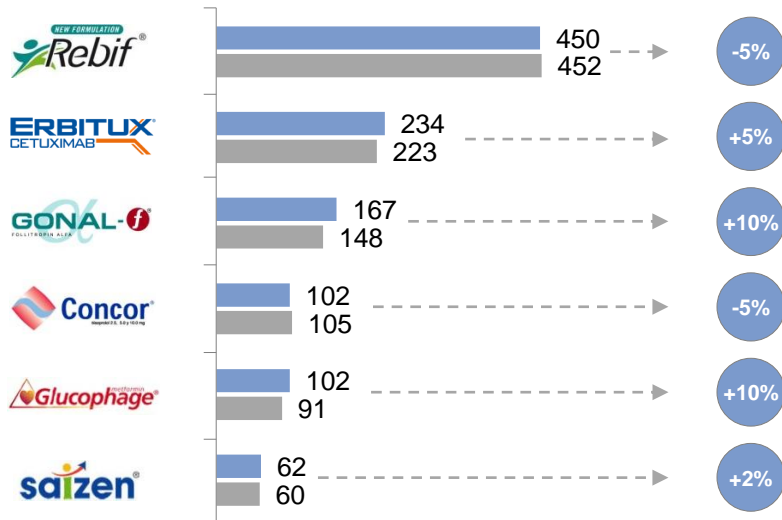


\*Restated for product reclassification of Neurobion and Floratil from Biopharmaceuticals to Consumer Health

# Biopharmaceuticals organic growth by product

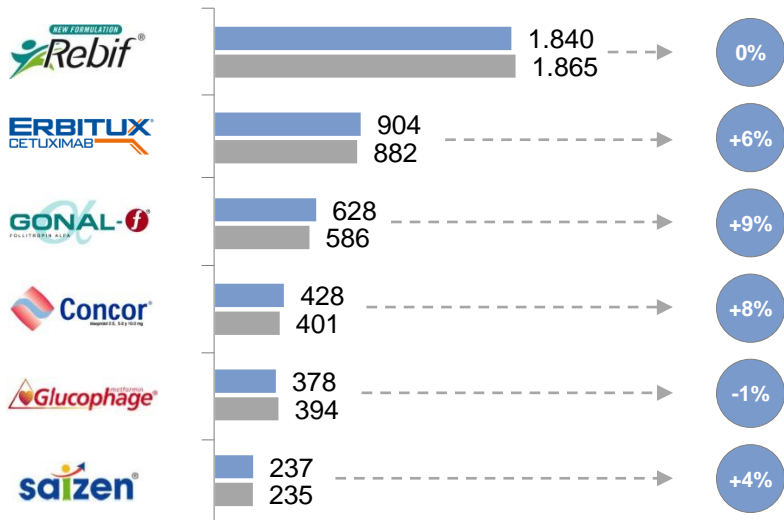
Merck KGaA  
Darmstadt · Germany

Q4 2014 organic sales growth [%] by key product [€ m]



■ Q4 2014 ■ Q4 2013

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



■ FY 2014 ■ FY 2013

# Rebif – defending the franchise; competitive pressure in the U.S. and Europe

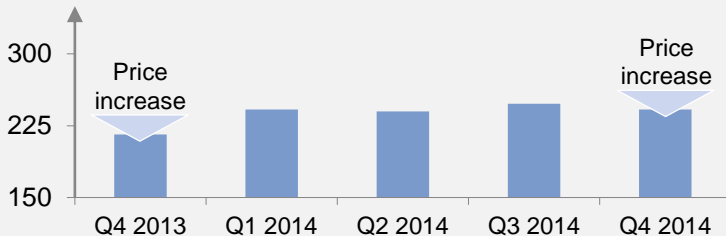


- Regional sales evolution [€ m]

Trend

North America

Q4 drivers



+2.1% org.



Price



Volume

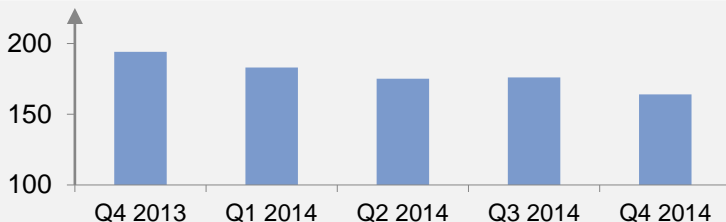


FX

Trend

Europe

Q4 drivers



-15.8% org.



Price



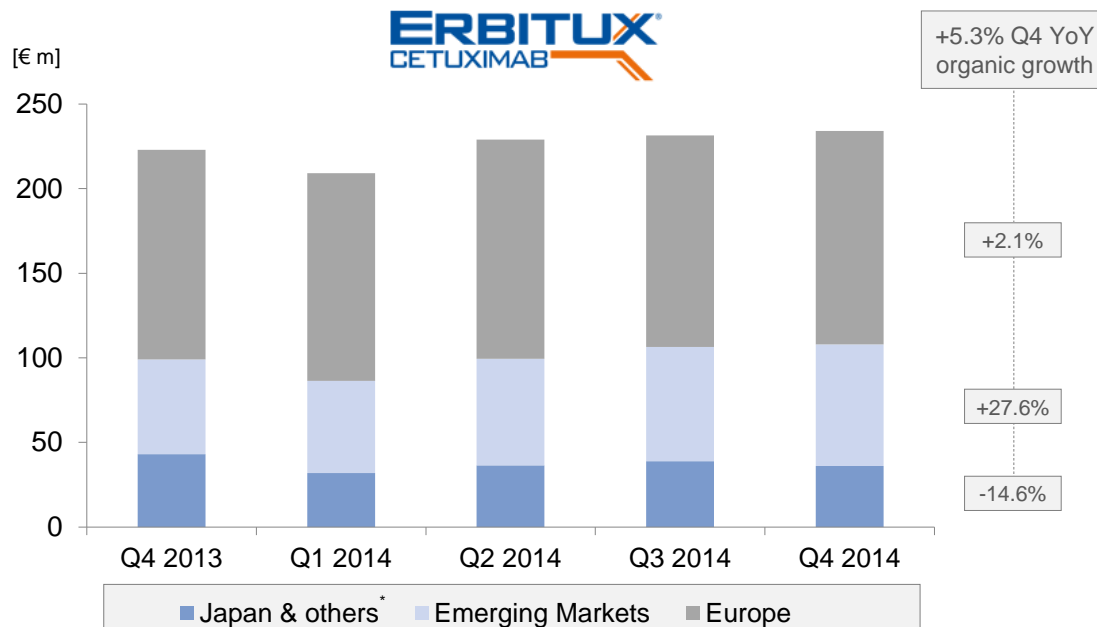
Volume

## Rebif performance

- Rebif sales of €450 m in Q4
- Organic decline of -4.7% is driven by lower volumes mitigated by pricing
- Competition from orals main factor of U.S. and European volume decline
- October price increase supported U.S. performance in Q4
- European performance driven by volume losses to orals; last year's high base included tender in Russia

# Erbitux – Emerging Markets strength

Erbitux sales by region

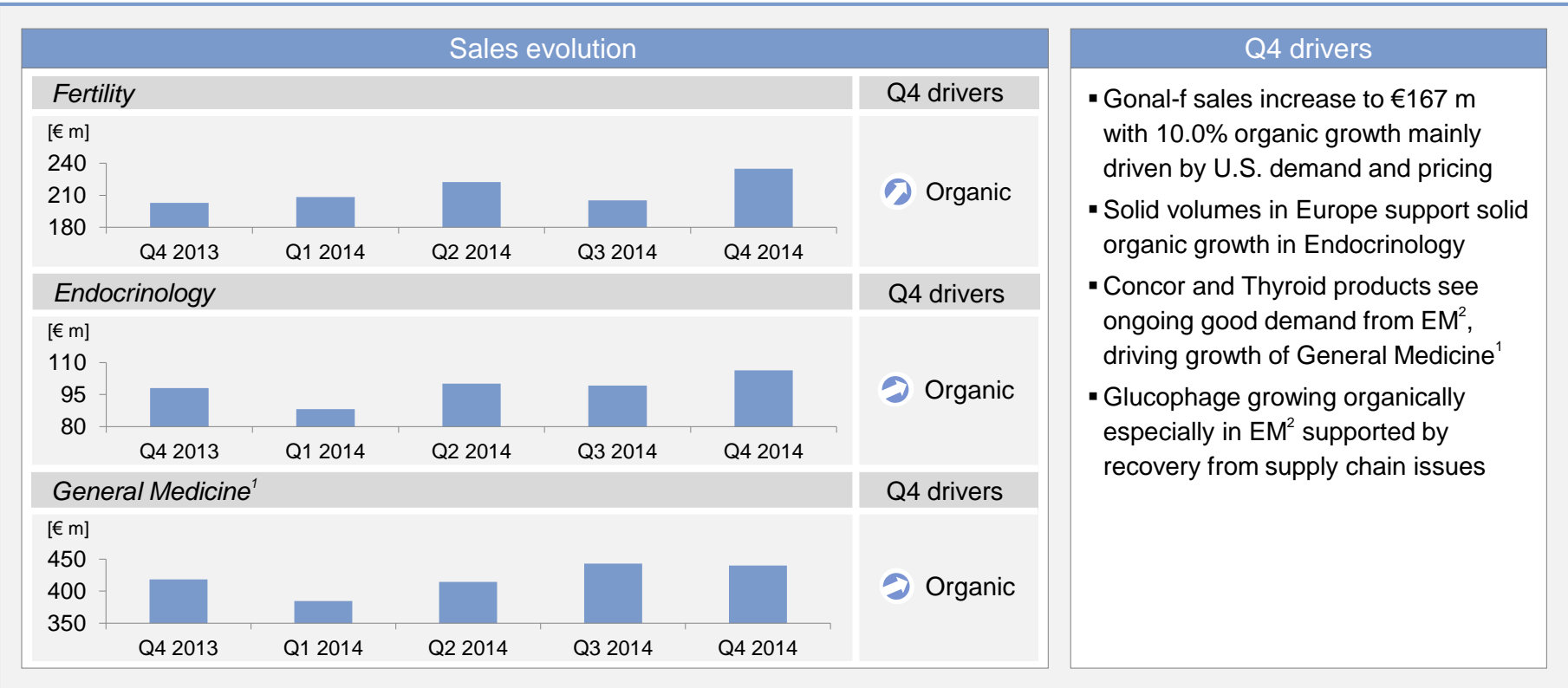


Erbitux performance

- Sales increase to €234 m as volume gains outweigh negative price effects
- Europe with slight organic growth mainly driven by reimbursement approval in Turkey
- Strong growth in China as well as in Latin American markets leads to Emerging Markets uptake
- Japan compares to very high base, overall business remains healthy
- FY performance of 6% organic growth mainly driven by Emerging Markets is partially offset by -3.4% FX

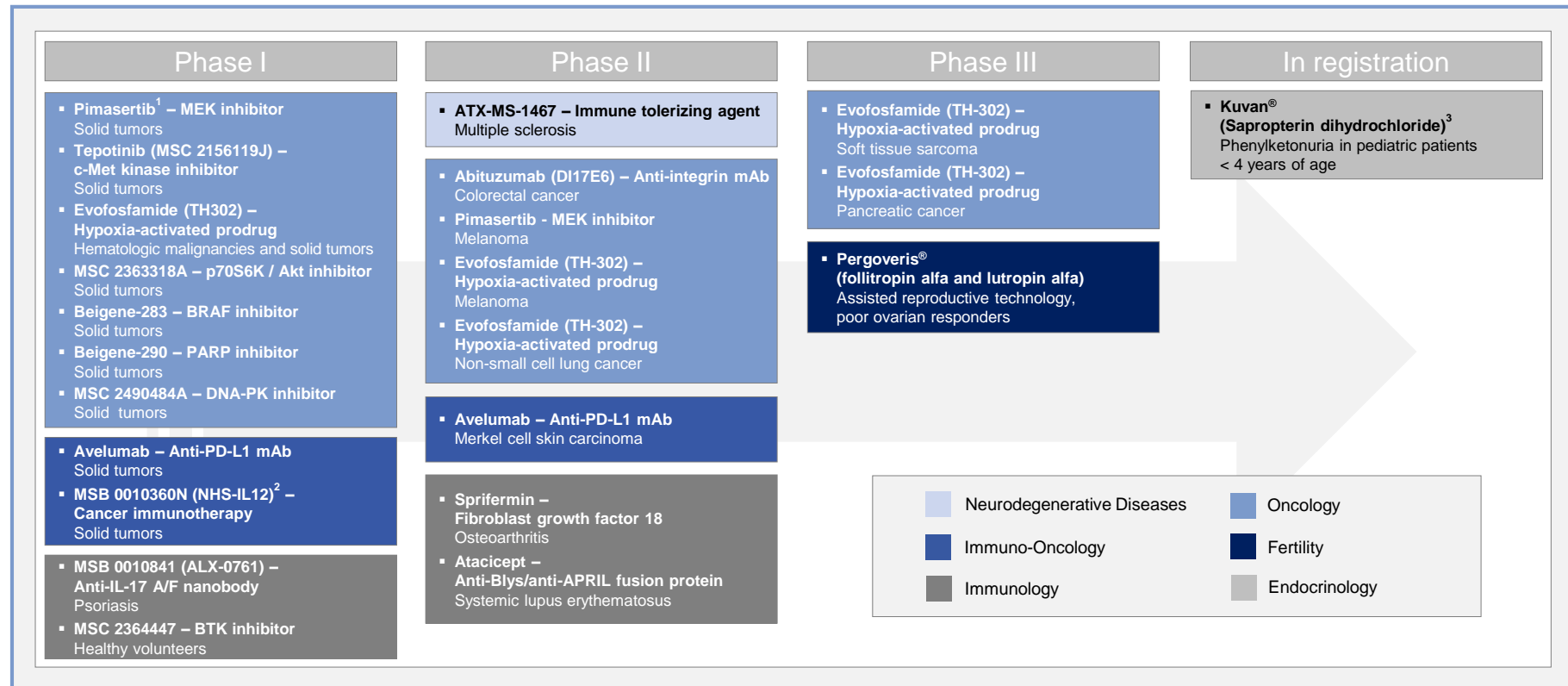
\* Australia/Oceania, Africa

# Strong growth in Fertility and General Medicine



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





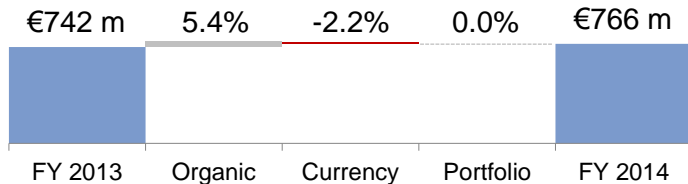
Pipeline as of February 28, 2015; <sup>1</sup>Combined with hDM2 inhibitor (SAR405838) from Sanofi, conducted under the responsibility of Sanofi;

<sup>2</sup>Sponsored by the National Cancer Institute (USA); <sup>3</sup>Post-approval request by the European Medicines Agency

# Consumer Health: Focus on strategic brands in Emerging Markets drives organic performance

[€ m]	FY 2013 *	FY 2014
<b>Sales</b>	<b>742</b>	<b>766</b>
Marketing and selling	-287	-303
Admin	-27	-27
R&D	-22	-22
<b>EBIT</b>	<b>162</b>	<b>150</b>
EBITDA	171	160
<b>EBITDA pre</b>	<b>172</b>	<b>169</b>
<i>Margin (% of sales)</i>	<i>23.2%</i>	<i>22.1%</i>

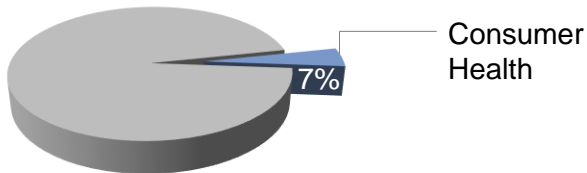
Sales bridge



Comments

- Increase in sales as good organic growth driven by Emerging Markets and Europe is partially offset by FX headwinds
- New strategic brands Neurobion and Floratil drive organic growth mainly from EM supported by consumer focused marketing
- Europe solid with strong demand for Femibion and some local brands especially in Germany
- Marketing and selling increases on global marketing initiatives; shift in promotional spending towards strategic brands continues
- Slight decrease in profitability due to investments in marketing and selling

FY 2014 share of group sales

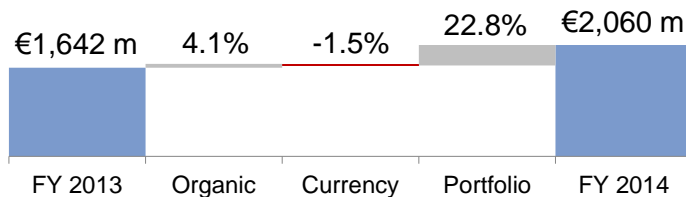


\*Restated for product reclassification of Neurobion and Floratil from Biopharmaceuticals to Consumer Health

# Performance Materials: Growth fueled by display industry trends

[€ m]	FY 2013	FY 2014
<b>Sales</b>	<b>1,642</b>	<b>2,060</b>
Marketing and selling	-152	-178
Admin	-28	-56
R&D	-145	-171
<b>EBIT</b>	<b>653</b>	<b>611</b>
EBITDA	766	804
<b>EBITDA pre</b>	<b>780</b>	<b>895</b>
<i>Margin (% of sales)</i>	<i>47.5%</i>	<i>43.4%</i>

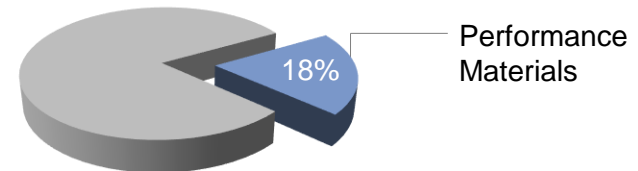
Sales bridge



Comments

- Sales increase as good organic growth and portfolio effects from AZ are slightly offset by negative FX effects
- Liquid Crystals flagship technologies (IPS & PS-VA) see ongoing good demand
- Pigments with slight organic growth owing to good demand for Xirallic products from coating industry
- Cost base reflects portfolio effects from AZ
- Increase in EBITDA pre contains organic growth and AZ
- EBITDA pre margin reflects mix effect from AZ

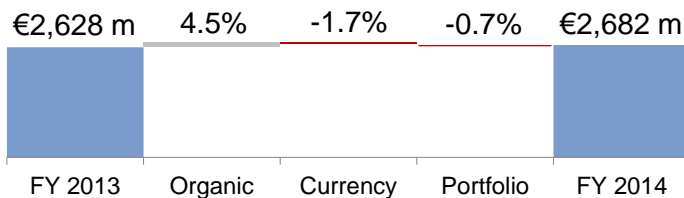
FY 2014 share of group sales



# Life Science: Growth in Process Solutions

[€ m]	FY 2013	FY 2014
<b>Sales</b>	<b>2,628</b>	<b>2,682</b>
Marketing and selling	-835	-844
Admin	-99	-110
R&D	-160	-163
<b>EBIT</b>	<b>262</b>	<b>289</b>
EBITDA	590	599
<b>EBITDA pre</b>	<b>643</b>	<b>659</b>
<i>Margin (% of sales)</i>	<i>24.5%</i>	<i>24.6%</i>

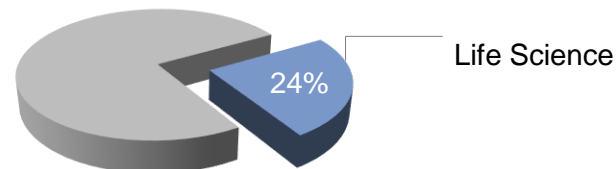
Sales bridge



Comments

- Sales increase as organic growth overcompensate FX headwinds and portfolio effects\*
- Process Solutions growth driven by biopharma demand for filtration and single-use products stemming from all regions
- Bioscience organically flat, as solid demand for separation and preparation products is offset by soft demand for antibodies
- Demand for consumables and water purification solutions in Emerging Markets drives organic growth in Lab Solutions
- Profitability stable due to solid volumes and pricing

FY 2014 share of group sales



# Underlying cash flow strength

[€ m]	Q4 2013	Q4 2014	Δ
<b>Profit after tax</b>	<b>281</b>	<b>282</b>	<b>1</b>
D&A	462	380	-81
Changes in provisions	-238	-342	-104
Changes in other assets / liabilities	-205	604	809
Other operating activities	44	17	-27
Changes in working capital	97	200	103
<b>Operating cash flow</b>	<b>440</b>	<b>1,141</b>	<b>701</b>
<b>Investing cash flow</b>	<b>-263</b>	<b>-1,144</b>	<b>-881</b>
thereof Capex*	-172	-211	-39
<b>Financing cash flow</b>	<b>-106</b>	<b>1,519</b>	<b>1,625</b>

## Cash flow drivers

- Higher impairments last year lead to lower D&A in 2014
- Changes in provisions mainly impacted by release for litigation settlement
- Increase in changes in other assets and liabilities reflects Pfizer upfront
- Changes in working capital increase due to higher business activity
- Investments in short-term assets impact investing cash flow
- Financing cash flow mainly reflects cash in from hybrid issuance in December

\*Only PPE, not including software  
Totals may not add up due to rounding

# One-time items in Q4 2014

One-time items in EBIT				
[€ m]	Q4 2013		Q4 2014	
	One-time items	thereof D&A	One-time items	thereof D&A
Biopharmaceuticals	164	144	15	1
Consumer Health	1	0	1	0
Performance Materials	7	-4	10	0
Life Science	40	17	28	0
Corporate & Other	14	0	23	1
<b>Total</b>	<b>226</b>	<b>157</b>	<b>76</b>	<b>2</b>

Totals may not add up due to rounding

# One-time items in FY 2014

One-time items in EBIT				
[€ m]	FY 2013		FY 2014	
	One-time items	thereof D&A	One-time items	thereof D&A
Biopharmaceuticals	258	189	50	5
Consumer Health	1	0	9	0
Performance Materials	10	-4	91	0
Life Science	70	17	60	0
Corporate & Other	47	0	65	5
<b>Total</b>	<b>387</b>	<b>203</b>	<b>275</b>	<b>10</b>

Totals may not add up due to rounding

# New allocation of royalty, license and commission income and expenses

## 2014 P&L structure

### Sales

Royalty, license and commission income

Commission income

Royalty & license income

### Revenues

Cost of Sales

Gross profit

Marketing & selling expenses

Royalty, license and commission expenses

Commission expenses

Royalty & license expenses

Administration expenses

Other operating expenses/income

Research & development expenses

EBIT

## New 2015 P&L structure

### Net sales

~~Royalty, license and commission income~~

~~Commission income~~

~~Royalty & license income~~

### Revenues

Cost of Sales

Gross profit

Marketing & selling expenses

~~Royalty, license and commission expenses~~

~~Commission expenses~~

~~Royalty & license expenses~~

Administration expenses

Other operating expenses/income

Research & development expenses

EBIT



Date	Event
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
March 08, 2016	Q4 2015 Earnings release



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