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FY/Q4 2014 Financial Summary for Investors and Analysts

Strategic progress and delivery of results in 2014:

- Closing and successful integration of AZ Electronic Materials
- Announcement of Sigma-Aldrich acquisition
- Signing of alliance with Pfizer to leverage iOnc pipeline
- 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 2015 guidance: EBITDA pre slightly higher - at least stable;
slight organic sales growth

Overview Financials

Q4 2014 Overview

- Organic growth, portfolio effects as well as currency tailwinds drive sales
- EBITDA pre and EPS pre improve on solid organic performance and AZ despite loss of royalty income
- Operating cash flow includes Pfizer upfront payment
- Only slight increase in financial debt, AZ acquisition digested within a year
- Higher headcount includes employees from AZ

YE 2014 Balance Sheet

- Balance sheet reflects AZ acquisition and Pfizer collaboration
- Issuance of hybrid bond impacts cash and debt
- Provisions for pensions up due to lower interest rates
- FX development accounts for ~€1 bn total balance sheet increase

FY 2014 Cash flow Statement

- 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

Q4 2014 Business Overview

Biopharmaceuticals

- **Emerging Markets drive organic growth**
- Sales deviation YoY: organic +2.8%, FX +2.7%, portfolio 0%
- 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* provisions

Consumer Health

- **Strong volumes amid investments in marketing and selling**
- Sales deviation YoY: organic +6.5%, FX +2.7%, portfolio 0%
- 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

Performance Materials

- **A strong quarter**
- Sales deviation YoY: organic +6.9%, FX +5.8%, portfolio +37.5%
- 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

Long Term Incentive Plan

Life Science

- **Process Solutions drives growth**
- Sales deviation YoY: organic +5.9%, FX +3.4%, portfolio -1.2%
- 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

2015 guidance (on existing platform):

Group:

- **EBITDA pre: slightly higher – at least stable**
- Sales: slight organic sales growth

Outlook by business sector:

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

Additional financial guidance

- Group royalty, license and commission income in 2015 ~ €300 m
- Corporate EBITDA pre: at least -€220 m
- Underlying tax rate: ~ 23% to 25%
- Capex on PPE and software: ~ €600 m

Group Q4

€ m	Group			Serono			Consumer Health			Performance Materials			Millipore			Corporate/Others		
	Q4 2013	Q4 2014	% YoY	Q4 2013	Q4 2014	% YoY	Q4 2013	Q4 2014	% YoY	Q4 2013	Q4 2014	% YoY	Q4 2013	Q4 2014	% YoY	Q4 2013	Q4 2014	% YoY
Sales	2,636	2,976	13%	1,419	1,497	6%	180	197	9%	383	576	50%	654	706	8%			
% organic			4%			3%			6%			7%			6%			
% FX			3%			3%			3%			6%			3%			
% portfolio			5%			0%			0%			38%			-1%			
EBIT	264	424	60%	116	244	>100%	36	34	-5%	134	170	27%	51	55	9%	-72	-80	11%
Depreciation and amortization	462	380	-18%	339	233	-31%	2	3	63%	21	59	>100%	95	80	-16%	5	5	-2%
EBITDA	726	804	11%	455	478	5%	38	37	-2%	155	229	48%	145	135	-7%	-67	-75	12%
One-time items on EBITDA	69	74	7%	20	15	-29%	1	1	-43%	11	10	-13%	22	28	23%	14	21	55%
EBITDA (pre-one time items)	795	878	10%	475	492	4%	39	38	-3%	167	239	44%	168	163	-3%	-54	-54	0%

Group FY

€ m	Group			Serono			Consumer Health			Performance Materials			Millipore			Corporate/Others		
	FY 2013	FY 2014	% YoY	FY 2013	FY 2014	% YoY	FY 2013	FY 2014	% YoY	FY 2013	FY 2014	% YoY	FY 2013	FY 2014	% YoY	FY 2013	FY 2014	% YoY
Sales	10,700	11,291	6%	5,688	5,783	2%	742	766	3%	1,642	2,060	25%	2,628	2,682	2%			
% organic			4%			4%			5%			4%			5%			
% FX			-2%			-2%			-2%			-1%			-2%			
% portfolio			3%			0%			0%			23%			-1%			
EBIT	1,611	1,762	9%	793	957	21%	162	150	-8%	653	611	-6%	262	289	10%	-260	-245	-6%
Depreciation and amortization	1,458	1,361	-7%	993	830	-17%	9	10	18%	112	192	71%	328	310	-6%	16	19	22%
EBITDA	3,069	3,123	2%	1,787	1,786	0%	171	160	-6%	766	804	5%	590	599	2%	-244	-226	-7%
One-time items on EBITDA	184	265	44%	69	45	-35%	1	9	>100%	14	91	>100%	53	60	13%	47	60	27%
EBITDA (pre-one time items)	3,253	3,388	4%	1,855	1,831	-1%	172	169	-2%	780	895	15%	643	659	2%	-197	-166	-16%

Net financial debt* 307 559 82%

* as per 31 December

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Kai Beckmann, Marcus Kuhnert, Stefan Oschmann,
Bernd Reckmann,

Group

P&L Group	Q4 2013	Q4 2014	% YoY
Sales	2,636	2,976	13%
Royalty, license and commission income	105	60	-43%
Total revenues	2,742	3,036	11%
Cost of sales	-790	-988	25%
thereof: intangibles amortization	-12	-39	>100%
Gross profit	1,952	2,048	5%
Marketing and selling expenses	-766	-827	8%
thereof: intangibles amortization	-184	-177	-4%
Royalty and commission expenses	-130	-128	-2%
Administration	-155	-169	9%
Other operating income/expenses	-291	-76	-74%
Research and development	-346	-424	23%
EBIT	264	424	60%
Depreciation and amortization	462	380	-18%
EBITDA	726	804	11%
One-time items on EBITDA	69	74	7%
EBITDA (pre-one time items)	795	878	10%
Financial result	-63	-63	0%
Profit before tax	201	361	79%
Income tax	80	-79	n.m.
Income tax rate	-40%	22%	
Profit after tax	281	282	0%
Non-controlling interest	-1	-2	>100%
Net income	281	280	0%
Number of theoretical shares in million	434.8	434.8	
EPS in €	0.65	0.64	-2%
EPS (pre one-time items) in €	1.06	1.14	8%

Biopharmaceuticals

P&L MS	Q4 2013	Q4 2014	% YoY
Sales	1,419	1,497	6%
Royalty, license and commission income	101	55	-45%
Total revenues	1,520	1,552	2%
Cost of sales	-286	-325	14%
thereof: intangibles amortization	0	0	n.m.
Gross profit	1,234	1,227	-1%
Marketing and selling expenses	-449	-459	2%
thereof: intangibles amortization	-143	-134	-6%
Royalty and commission expenses	-125	-124	0%
Administration	-53	-56	5%
Other operating income/expenses	-226	-20	-91%
Research and development	-265	-323	22%
EBIT	116	244	>100%
Depreciation and amortization	339	233	-31%
EBITDA	455	478	5%
One-time items on EBITDA	20	15	-29%
EBITDA (pre-one time items)	475	492	4%

Consumer Health

P&L CH	Q4 2013	Q4 2014	% YoY
Sales	180	197	9%
Royalty, license and commission income	1	1	18%
Total revenues	181	198	9%
Cost of sales	-63	-68	8%
thereof: intangibles amortization	0	0	n.m.
Gross profit	118	130	10%
Marketing and selling expenses	-72	-86	19%
thereof: intangibles amortization	-1	-1	11%
Royalty and commission expenses	-1	0	-93%
Administration	-9	-7	-18%
Other operating income/expenses	4	5	24%
Research and development	-5	-7	64%
EBIT	36	34	-5%
Depreciation and amortization	2	3	63%
EBITDA	38	37	-2%
One-time items on EBITDA	1	1	-43%
EBITDA (pre-one time items)	39	38	-3%

Performance Materials

P&L PM	Q4 2013	Q4 2014	% YoY
Sales	383	576	50%
Royalty, license and commission income	1	0	-88%
Total revenues	384	576	50%
Cost of sales	-151	-279	84%
thereof: intangibles amortization	-1	-27	>100%
Gross profit	232	296	28%
Marketing and selling expenses	-36	-50	40%
thereof: intangibles amortization	-3	-4	28%
Royalty and commission expenses	0	1	n.m.
Administration	-6	-15	>100%
Other operating income/expenses	-19	-13	-30%
Research and development	-37	-48	31%
EBIT	134	170	27%
Depreciation and amortization	21	59	>100%
EBITDA	155	229	48%
One-time items on EBITDA	11	10	-13%
EBITDA (pre-one time items)	167	239	44%

Life Science

P&L MM	Q4 2013	Q4 2014	% YoY
Sales	654	706	8%
Royalty, license and commission income	3	4	20%
Total revenues	657	710	8%
Cost of sales	-288	-314	9%
thereof: intangibles amortization	-12	-12	2%
Gross profit	369	396	7%
Marketing and selling expenses	-206	-231	12%
thereof: intangibles amortization	-37	-39	4%
Royalty and commission expenses	-4	-4	6%
Administration	-25	-30	21%
Other operating income/expenses	-45	-33	-27%
Research and development	-38	-43	12%
EBIT	51	55	9%
Depreciation and amortization	95	80	-16%
EBITDA	145	135	-7%
One-time items on EBITDA	22	28	23%
EBITDA (pre-one time items)	168	163	-3%