Merck KGaA
Darmstadt · Germany

HALF-YEAR FINANCIAL REPORT
2ND QUARTER 2015

DISCLAIMER

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OUR COVER PHOTO →

A CRYSTAL CLEAR FUTURE

The world is changing at breathtaking speed. Megatrends, which characterize the deep-seated social and technological changes taking place around the globe, are one reason. In our Annual Report for 2014, we take a closer look at four global trends and show how our company is meeting them, positioning itself optimally for the future – and taking decisive steps to help shape tomorrow.

The cover photo of our report on the second quarter refers to one of these trends: digitization. The digital revolution is impacting our lives in a variety of ways. Whether for smartphones, laptops or flat-screen televisions, as the global liquid crystals market and technology leader and a pioneer in the development of OLED (organic light-emitting diode) materials, we are driving the development of cutting-edge displays.

And Merck KGaA, Darmstadt, Germany, played a major role in making a mass phenomenon out of smartphones and tablet computers. Intuitive touchscreen control helped make the breakthrough possible. When people swipe their fingers across the user interface, they are most likely setting our liquid crystal molecules in motion.

Our Annual Report has been optimized for mobile devices and is available on the Web at **http://ar2014.emdgroup.com**

GROUP – IN BRIEF

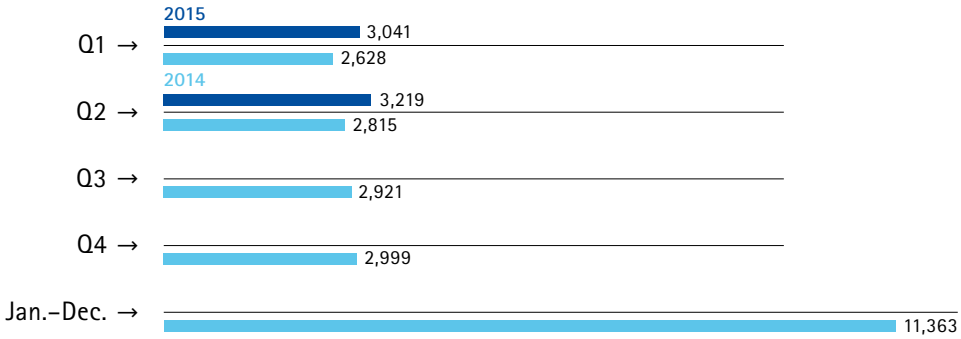
GROUP →
KEY FIGURES

€ million	Q2 – 2015	Q2 – 2014	Change in %	Jan.–June 2015	Jan.–June 2014	Change in %
Net sales[1]	3,219.5	2,815.3	14.4	6,260.6	5,443.5	15.0
Operating result (EBIT)	501.4	441.0	13.7	981.3	909.3	7.9
Margin (% of net sales)[1]	15.6	15.7		15.7	16.7	
EBITDA	844.8	767.0	10.1	1,650.3	1,537.2	7.4
Margin (% of net sales)[1]	26.2	27.2		26.4	28.2	
EBITDA pre exceptionals	899.4	845.7	6.3	1,752.4	1,652.7	6.0
Margin (% of net sales)[1]	27.9	30.0		28.0	30.4	
Earnings per share (€)	0.79	0.70	12.9	1.44	1.45	–0.7
Earnings per share pre exceptionals (€)	1.30	1.16	12.1	2.43	2.32	4.7
Business free cash flow	829.6	632.2	31.2	1,190.1	1,316.3	–9.6

[1] The composition of net sales has changed, see "Accounting Policies" in the Notes to the interim Group accounts.

GROUP →
NET SALES BY QUARTER[1] – Q2 2015

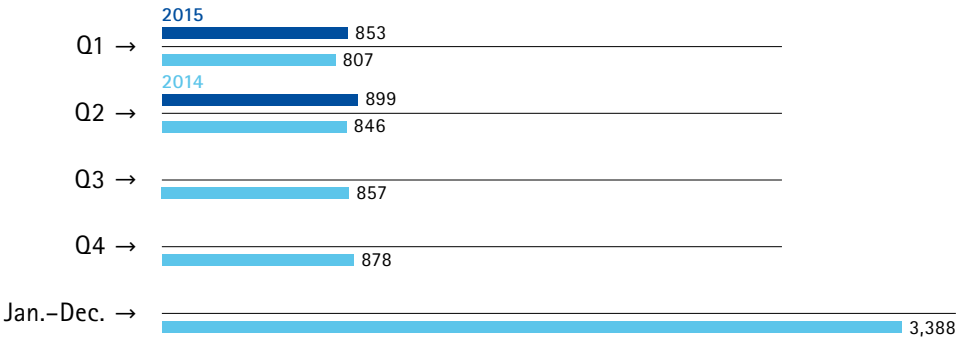
€ million



[1] The composition of net sales has changed, see "Accounting Policies" in the Notes to the interim Group accounts.

GROUP →
EBITDA PRE EXCEPTIONALS BY QUARTER – Q2 2015

€ million



COMPANY SHARES

At a glance

In the second quarter of 2015, the Merck KGaA, Darmstadt, Germany, share price declined, both in absolute terms and in comparison with the relevant indices. The strong performance of the company shares in the first quarter continued into the first few weeks of the second quarter before a broader stock market correction took place in mid-April and also affected shares.

On June 30, 2015, the share price was 89.99, which was thus nearly 14% below the closing price in the first quarter (€ 104.10 as of March 31, 2015) as well as around 19% below the new all-time high of € 110.91, which had been reached on April 10, 2015.

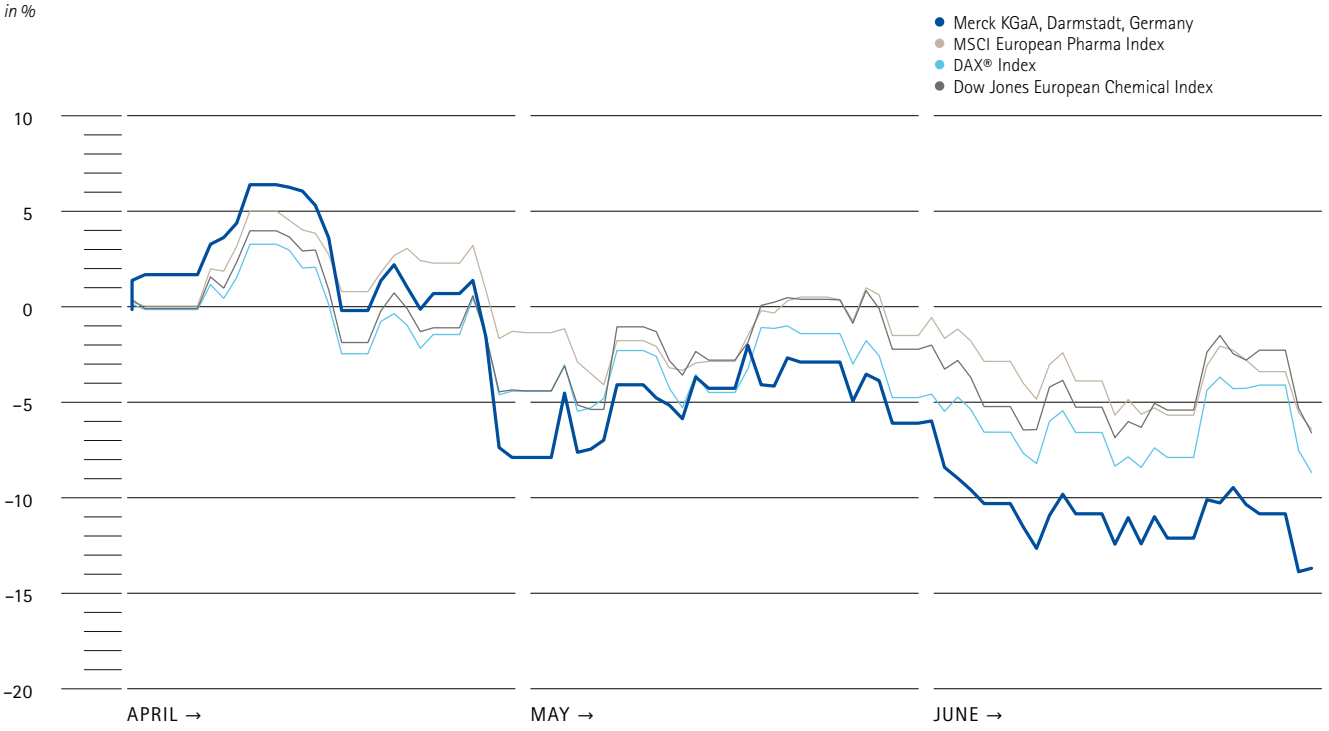
Relative to the relevant comparative indices, the performance of the company shares was also weaker in the second quarter. They underperformed the DAX® by around 5 percentage points; yet during the same period of time the DAX® also fell by nearly 9%. The company shares underperformed both the MSCI European Pharma Index and the Dow Jones European Chemical Index by 7 percentage points, respectively.

Due to the continuation of expansionary monetary policy, especially in Europe, the weakness of the euro and the low oil price, European shares remained highly attractive in the second quarter. However, the renewed discussions about the European sovereign debt crisis reignited uncertainty in the financial markets, thereby leading to noticeable share price corrections. Moreover, the slight appreciation of the euro in the second quarter following its pronounced weakness in the first quarter reversed the upwards share price trends of particularly exposed companies such as Merck KGaA, Darmstadt, Germany. From a company perspective, the following aspects should be noted: Firstly, the overall reaction by market participants to the Group's report on business developments in the first quarter as well as the detailed outlook for the full year 2015 was rather subdued. Secondly, uncertainties meanwhile arose among several market participants with respect to the antitrust approval processes and the closing of the planned acquisition of Sigma-Aldrich. This had a slightly adverse effect on the share price.

In the first half of 2015, the share price rose by nearly 15%, thus outperforming all the relevant comparative indices, mainly owing to the strong performance in the first quarter. In the first half, the company shares outperformed the DAX® by around 3 percentage points, the Dow Jones European Chemical Index by around 1 percentage point and the MSCI European Pharma Index by 10 percentage points.

COMPANY SHARES →

SHARE PRICE DEVELOPMENT FROM APRIL 1, 2015 TO JUNE 30, 2015



Source: Bloomberg (closing rates)

INTERIM MANAGEMENT REPORT AS OF JUNE 30, 2015

FUNDAMENTAL INFORMATION ABOUT THE GROUP

THE GROUP

Merck KGaA, Darmstadt, Germany, is a global corporate group headquartered in Darmstadt, Germany. With a history dating back nearly 350 years, it is the world's oldest pharmaceutical and chemical company. The company holds the global rights to the name and trademark MERCK. The only exceptions are Canada and the United States, where the company operates as EMD Serono, EMD Millipore und EMD Performance Materials. The Group's product portfolio ranges from innovative pharmaceuticals and biopharmaceutical products, to specialty chemicals, high-tech materials and life science tools. Until December 31, 2014, Merck KGaA, Darmstadt, Germany, used a reporting structure consisting of four divisions: the Biopharmaceuticals division, Consumer Health, Performance Materials and the Life Science division.

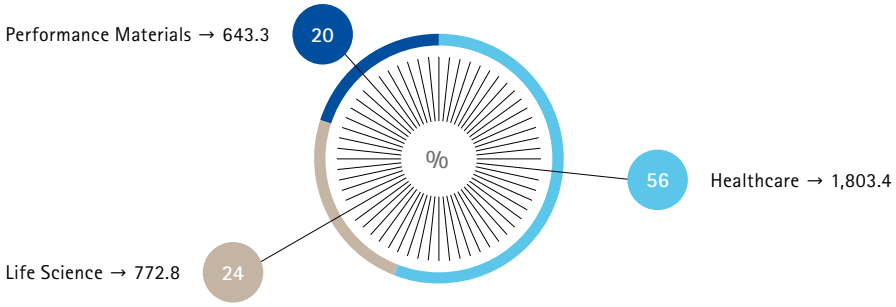
In line with its strategic direction effective January 1, 2015, the Group is organized into three business sectors: Healthcare, Life Science, and Performance Materials, which comprise the Group's six businesses. This structure was reflected for the first time in the report on the first quarter of 2015. The Group regional reporting structure also changed as of January 1, 2015. It now comprises five regions: Europe, North America, Asia-Pacific (APAC), Latin America as well as Middle East and Africa (MEA).

The Group had 40,192 employees worldwide on June 30, 2015, compared with 39,230 employees on June 30, 2014.

GROUP →

NET SALES BY BUSINESS SECTOR – Q2 2015

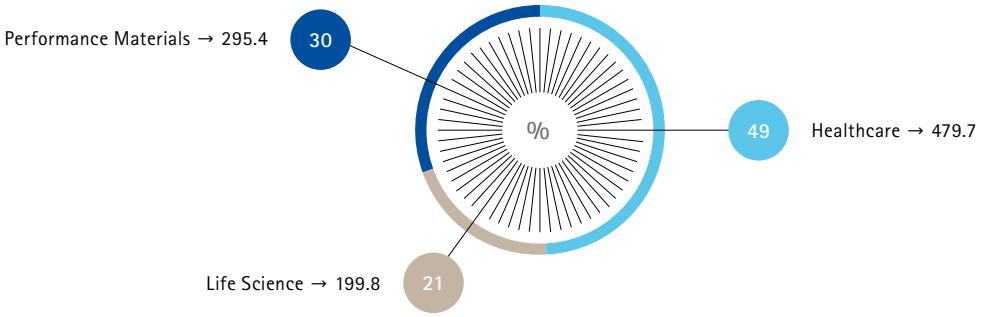
€ million / % of net sales



GROUP →

EBITDA PRE EXCEPTIONALS BY BUSINESS SECTOR – Q2 2015

€ million / in %

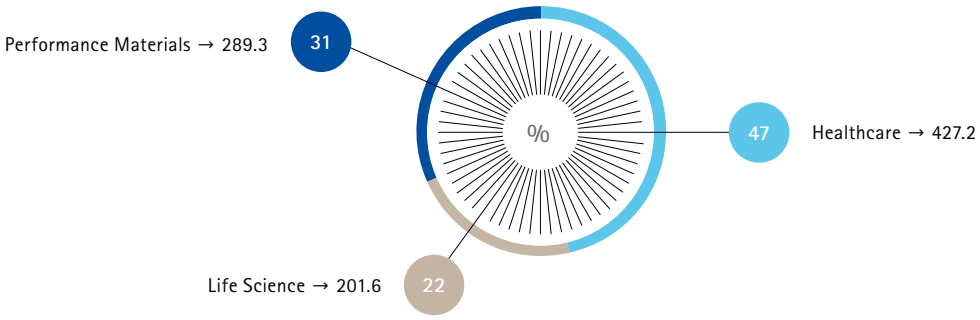


Not presented: Decline in Group EBITDA pre exceptionals by € –75.6 million due to Corporate and Other.

GROUP →

BUSINESS FREE CASH FLOW BY BUSINESS SECTOR – Q2 2015

€ million / in %

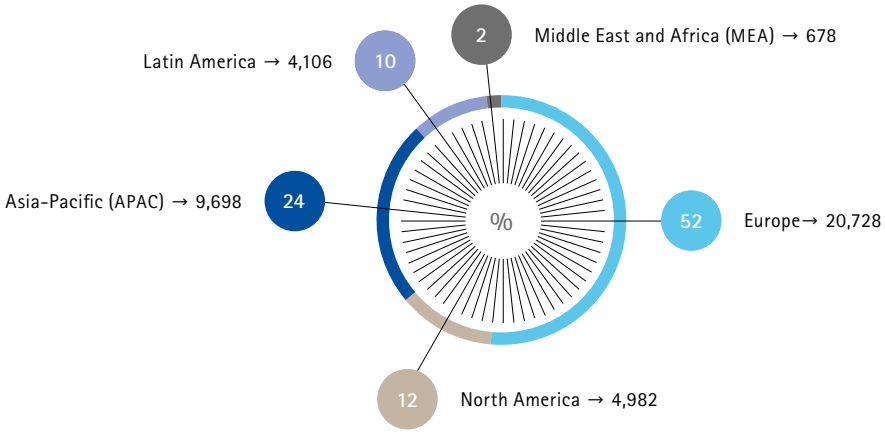


Not presented: Decline in Group business free cash flow by € –88.6 million due to Corporate and Other.

GROUP →

DISTRIBUTION OF EMPLOYEES BY REGION AS OF JUNE 30, 2015

Number / in %



HEALTHCARE

The Healthcare business sector of Merck KGaA, Darmstadt, Germany, comprises the four businesses the Biopharmaceuticals business, Consumer Health, Biosimilars and Allergopharma. In the second quarter of 2015, the Healthcare business sector of Merck KGaA, Darmstadt, Germany, generated 56% of Group sales and 49% of EBITDA pre exceptionals (excluding Corporate and Other), making it the largest of the company's three business sectors.

Since January 1 of this year, Belén Garijo has been the member of the Executive Board responsible for the Healthcare business sector of Merck KGaA, Darmstadt, Germany. The regions of Europe and North America generated 58% of net sales in the second quarter of 2015. In recent years, the company has steadily expanded the presence of the Healthcare business sector of Merck KGaA, Darmstadt, Germany, in growth markets. In the reporting period, the Asia-Pacific and Latin America regions accounted for 36% of its sales.

BIOPHARMACEUTICALS

The Biopharmaceuticals business discovers, develops, manufactures and markets innovative pharmaceutical and biological prescription drugs to treat cancer, multiple sclerosis (MS), infertility and growth disorders, as well as certain cardiovascular and metabolic diseases. The present Biopharmaceuticals business was formed in 2007 with the acquisition of the Swiss biopharmaceutical company Serono SA, which was integrated stepwise into the prescription drugs business. With headquarters in Darmstadt, Germany, the Biopharmaceuticals business offers leading brands in specialty medicine indications.

The Biopharmaceuticals business commercializes its products worldwide and has a strong presence in established markets. the Biopharmaceuticals business' products are available in various countries and regions of the world under different brand names.

Rebif®, the Biopharmaceuticals business' top-selling product, is used to treat relapsing forms of multiple sclerosis, which is one of the most common neurological diseases among young adults.

Erbitux® is the second best-selling drug in the Biopharmaceuticals business' product portfolio and its flagship product in Oncology. The product is a standard of care in multiple lines of metastatic colorectal cancer (mCRC) therapy as well as of both recurrent/metastatic and locally advanced squamous cell carcinoma of the head & neck (SCCHN).

On November 17, 2014, the Biopharmaceuticals business entered into a global strategic alliance with Pfizer Inc. to develop and commercialize avelumab*, an investigational anti-PD-L1 antibody initially discovered by the Biopharmaceuticals business and currently in development as a potential treatment for multiple tumor types. This alliance accelerates the two companies' presence in immuno-oncology. The two companies have also agreed to combine resources and expertise to advance Pfizer's preclinical-stage anti-PD-1 antibody into Phase I trials.

As part of the strategic alliance, the Biopharmaceuticals business will co-promote Pfizer's anaplastic lymphoma kinase (ALK) inhibitor Xalkori®, a medicine to treat ALK+ metastatic non-small cell lung cancer in the United States and several other key markets. Under the agreement, Xalkori® will be co-promoted in two waves, the first of which will begin in the second and third quarters of 2015 in the United States, Canada, Japan and five European Union countries (France, Germany, Italy, Spain and the United Kingdom). In the United States and Canada, Xalkori® will be co-promoted by EMD Serono, the U.S. and Canadian biopharmaceutical businesses of Merck KGaA, Darmstadt, Germany. The second wave will begin in 2016 and includes China and Turkey. In these first wave countries, in 2015, the Group will receive compensation associated with its promotion of Xalkori®, followed by an 80% (Pfizer), 20% (Merck KGaA, Darmstadt, Germany) profit sharing on the product starting in 2016. The co-promotion term will last through December 31, 2020 for the United States, Canada, Japan, France, Germany, Italy, Spain and the United Kingdom and from January 1, 2016 through December 31, 2021 in China and Turkey.

The Biopharmaceuticals business also offers products that help couples to conceive a child and is the only company that has a complete and clinically proven portfolio of fertility drugs for ev-

*Avelumab is the proposed International Nonproprietary Name (INN) for the anti-PD-L1 monoclonal antibody, previously known as MSB0010718C.

ery stage of the reproductive cycle, including recombinant versions of the three hormones needed to treat infertility. As the market leader and innovator, the Biopharmaceuticals business supports the improvement of success in Assisted Reproductive Treatment (ART) not only with drugs, but also innovative technologies, such as an assessment test for early embryo viability, an automated vitrification instrument, a benchtop incubator with camera system, culture media – the latter three stemming from the recent collaboration agreement with Genea Ltd. With this partnership, the Biopharmaceuticals business receives global marketing and commercialization rights to the Genea Biomedx product portfolio. This comprises the innovative Gavi, Geri and Gems product lines as well as a joint development pipeline. This comprises the innovative Gavi, Geri and Gems product lines as well as a joint development pipeline. Gavi will be the world's first fully automated vitrification instrument, focusing on lab processes with the aim of reducing potential errors and increasing efficiency in cryopreservation of embryos and in the future for oocytes (eggs). Geri is a benchtop incubator fitted with a time-lapse camera to capture images of embryos as they develop and individually controlled incubation chambers per patient to minimize disruptive events to the early-stage embryo. Gems is the latest generation of Genea's culture media allowing for high quality embryo cultivation.

On June 14, the Biopharmaceuticals business announced that Gavi and Geri had cleared a major milestone, achieving CE Mark certification. The achievement of regulatory clearance allows Gavi and Geri to be sold in the European Union.

On June 10, the Biopharmaceuticals business announced that the product design of its fertility pens won the Red Dot Award: Product Design 2015. The company was honored with a total of two awards for its Fertility Family of Pens™ in this year's competition. The pens are used in fertility treatment to inject hormones for follicle stimulation, helping women and couples realize their dream of having a baby.

In addition, the Biopharmaceuticals business formed the Global Fertility Alliance, a new collaboration to advance excellence in fertility treatments and processes within the ART laboratory, together with Illumina Inc. and Genea Ltd. The products in the Fertility franchise are an important growth driver for the Biopharmaceuticals business. This is due to different factors, such as the increasing demand in emerging markets and the trend of couples postponing childbearing until later in life when natural fertility is in decline.

The General Medicine franchise mainly includes brands to treat cardiometabolic diseases. Although no longer patent-protected, the excellent brand equity built over decades makes the flagship products cornerstones for the treatment of chronic cardiovascular or metabolic diseases. This applies, for example, to Glucophage® containing the active ingredient metformin, the drug of choice for first-line treatment of type 2 diabetes, as well as to Concor® containing bisoprolol, the leading beta-blocker for chronic cardiovascular diseases such as hypertension, as well as Euthyrox® (levothyroxine) as the leading treatment for hypothyroidism. Particularly in growth markets, there is a continuous rise in demand for cardiometabolic therapies. This is due to both increasing life expectancy and in part also to growing prosperity in these regions, along with the resulting changes in lifestyle and dietary habits. Beyond developing life cycle management products to capitalize on the Biopharmaceuticals business' strong brand equity, the company entered into a long-term strategic partnership with Lupin Ltd. of India to broaden the General Medicine portfolio in emerging markets with affordable, high-quality medicines.

The main products of the Endocrinology franchise are Saizen® (somatropin) and Kuvan® (sapropterin dihydrochloride). In May, the Biopharmaceuticals business received a positive opinion from the Committee for Medicinal Products for Human Use of the European Medicines Agency (EMA) on an update to the product information for Kuvan® to allow its use in children with phenylketonuria (PKU) below 4 years of age who have shown responsiveness to such treatment. As a result, in July, the European Commission approved a corresponding update to the product's European marketing authorization.

The Biopharmaceuticals business is continuously working to improve ways to administer medicines and active ingredients. For several years, the Biopharmaceuticals business has been developing award-winning novel injection devices that make injections more user-friendly and at the same time more reliable for patients than conventional or prefilled syringes. In addition, these products make it easier for healthcare practitioners and patients to ensure adherence and thus to reach their treatment goals. Examples are the easypod™ electromechanical injection devices for the delivery of Saizen® and RebiSmart™ for Rebif® (interferon beta-1a). Additionally, both easypod™ and RebiSmart™ are able to wirelessly transfer data such as injection times, dates and doses to the Web-based software systems easypod™ connect and MSdialog.

The Biopharmaceuticals business is advancing its research and development (R&D) portfolio across the areas of oncology, immuno-oncology and immunology, and continues to invest in developing programs in multiple sclerosis. With its expertise in discovery and early development, as well as approximately 25 projects in clinical development, the Biopharmaceuticals business is focused on delivering differentiated new therapies to patients with unmet medical needs.

CONSUMER HEALTH

Consumer Health manufactures and markets over-the-counter pharmaceuticals and focuses on a number of well- known strategic brands such as Neurobion®, Bion®, Seven Seas®, Nasivin®, Femibion®, and Dolo-Neurobion®, as well as Floratil®, Sangobion®, Vigantoletten®, Apaisyl®, and Kytta®. Consumer Health has a high market penetration in Europe, Latin America and Southeast Asia, and is performing particularly well in growth markets, especially in India, Indonesia, Mexico and Brazil, which have firmly established themselves among the top ten markets in terms of sales.

Global megatrends favor the future growth of Consumer Health. People are becoming more health-conscious and concerned with their own physical well-being. Preventive health care and as little invasive medication as possible are becoming increasingly important – in both established and growth markets, characterized by a growing middle class with specific needs.

The Consumer Health business continues to pursue the "3 x 3 strategy". The aim is to deliberately invest in about 15–20 key countries in order to be present in each with at least three leading brands and to achieve a respective local market share of at least 3%. This should be accomplished by organic growth, geographic expansion and eventually smaller, tactical acquisitions of brands which fit into the strategy and ideally into the existing product categories.

BIOSIMILARS

The Biosimilars business is committed to providing access to high-quality biologics to more patients all over the globe. The unit is developing a biosimilars portfolio focused on oncology and inflammatory disorders, through both in-house research and development expertise in biologics, and partnerships with other biosimilar players. The initiation of Phase III trials is planned for 2015/2016 onwards.

Biosimilars is an attractive market in which the Group is well-positioned as it can build on existing strengths and capabilities across the biosimilars value chain. This includes the ability to leverage internal assets or source capabilities from suppliers to ensure compliance with regulatory requirements, secure market access across key growth markets, leverage commercial manufacturing capabilities and flexibility, as well as adopt a tailored go-to-market approach.

Merck KGaA, Darmstadt, Germany, has also established strategic alliances with Dr. Reddy's in India to co-develop several oncology compounds and with Bionovis in Brazil to supply the Brazilian market with biological products under the Product Development Partnership (PDP) policy of the Brazilian Ministry of Health.

ALLERGOPHARMA

The allergy business of Allergopharma of Merck KGaA, Darmstadt, Germany, is one of the leading companies in the field of allergen immunotherapy (AIT). Its portfolio includes a diverse spectrum of approved allergen products that meet high quality standards. AIT (hyposensitization, desensitization, specific immunotherapy) is the only causal therapy for treating allergies to unavoidable allergens. AIT is primarily carried out by physicians who specialize in allergies, such as ENT doctors, dermatologists, pediatricians, and pulmonologists.

Allergopharma manufactures products to diagnose and treat type 1 allergies such as hay fever or allergic asthma. The allergy business offers high-dose, hypoallergenic, standardized products for allergen immunotherapy of pollen and mite allergies. These allergoids have a special focus in Allergopharma's product portfolio and constitute a cornerstone in its integrated health approach for patients suffering from these conditions. For effective treatment, reliable diagnosis is key. Allergopharma offers a broad range of diagnostics in the field of allergies with more than 100 single allergens, providing physicians with the specific tools needed to identify the substances causing an allergy. In addition, Allergopharma provides individual allergen extracts on a named patient basis, which are needed to treat less frequent allergies – personalized medicine has been a reality for Allergopharma for many years now. Products of Allergopharma are available in more than 20 markets worldwide. All products are manufactured under ultrapure, sterile conditions in Reinbek near Hamburg.

The market for causal allergy therapies is a global growth market. On the one hand, the global growth expected by market researchers will be generated by an increasing number of people with allergies, and on the other hand it is based on the rising use of specific immunotherapy (SIT) in many emerging markets.

Plans to expand production in Reinbek near Hamburg in 2016, thus expanding capacity, will advance global expansion and will also help to meet increasingly high manufacturing standards.

LIFE SCIENCE

The purpose of the Life Science business sector of Merck KGaA, Darmstadt, Germany, is to solve the world's toughest life science problems by collaborating with the global scientific community. Subsequent to the planned acquisition of Sigma-Aldrich, which the company announced on September 22, 2014, the business of Sigma-Aldrich would also belong to the Life Science business sector of Merck KGaA, Darmstadt, Germany. In the second quarter of 2015, Life Science generated 24% of Group sales and 21% of EBITDA pre exceptionals (excluding Corporate and Other). In the event of the successful acquisition of Sigma-Aldrich, these percentages would increase significantly, thus further raising the importance of the Life Science business sector of Merck KGaA, Darmstadt, Germany.

On April 13, 2015, Merck KGaA, Darmstadt, Germany, announced that Udit Batra, currently President and CEO of Life Science business, had been appointed to lead the combined life science business of the Group pending the successful completion of the acquisition of Sigma-Aldrich.

In June 2015, Merck KGaA, Darmstadt, Germany, announced that the European Commission had approved its planned acquisition of Sigma-Aldrich. The EU clearance, which is subject to certain conditions, followed the antitrust approvals in Japan (JFTC) and by the Chinese Ministry of Commerce (MOFCOM). In addition, Merck KGaA, Darmstadt, Germany, had already secured antitrust clearance from the United States, Taiwan, South Africa, Russia, Serbia and Ukraine. Antitrust approval from Israel was received on June 16, 2015.

As part of the EU commitments, Merck KGaA , Darmstadt, Germany, and Sigma-Aldrich have agreed to sell parts of Sigma-Aldrich's solvents and inorganics business in Europe. These include its manufacturing assets in Seelze, Germany, where most of the solvents and inorganics sold by Sigma-Aldrich in Europe are manufactured. In addition, the divestiture of solvents and inorganics sold by Sigma-Aldrich worldwide under the Fluka, Riedel-de-Haen and Hydranal brands as well as a temporary license to the Sigma-Aldrich brand for the supply of solvents and inorganics in the European Economic Area have been agreed. The commitments also include the transfer of customer information and a solution to ensure a temporary channel to the market.

Merck KGaA, Darmstadt, Germany, expects that the closing will be possible in the third quarter of 2015.

LIFE SCIENCE

The Life Science business has a broad product and technology portfolio and offers innovative solutions for scientists and engineers in the life science industry. Life science comprises the research branches of natural and engineering sciences concerned with the structure and behavior of living organisms. The Life Science business' products and services are used in the research, development and manufacture of biotechnological and pharmaceutical drug therapies, as well as in research and application laboratories. In addition, the Life Science business products and services also reach adjacent markets, such as food and beverage. The Life Science business was established in 2010 following the acquisition of the Millipore Corporation. It is a leading supplier of life science tools.

The majority of sales are generated by consumables. This enables the business to achieve recurring sales and stable, attractive cash flows in an industry that is characterized by stringent regulatory requirements. A highly diversified and loyal customer base additionally ensures a low risk profile. At the same time, the Life Science business benefits from its broad portfolio and its global reach. The Life Science business comprises three business areas: Lab Solutions, Process Solutions and Bioscience, as well as multiple specialized business fields.

The Lab Solutions business area manufactures products for research as well as analytical and clinical laboratories in a wide variety of industries. It is one of the leading suppliers of laboratory water equipment, laboratory chemicals and consumables. In addition, Lab Solutions develops and markets test solutions to identify microbial contamination, for example in pharmaceutical products, food or drinking water. For inorganic chemistry, Lab Solutions supplies ultrapure reagents, including salts, acids, caustic alkalis, and buffering agents. It also manufactures reference materials for instrumental analysis and products for inorganic trace analysis.

In the second quarter, the Lab Solutions business area added three new air samplers to its MAS-100® product family. These systems were developed for use in isolators. They enable sampling at critical control points, allow increased monitoring capacity and are well-suited for use in controlled environments.

The Process Solutions business area offers a diversity of products to pharmaceutical and biotechnology companies that enable customers to develop large- and small-molecule drugs safely, effectively and cost-efficiently. In addition, the business area's

portfolio comprises more than 400 chemicals for the synthesis of active pharmaceutical ingredients as well as drug delivery compounds. The offering in biotech production comprises products supporting cell growth and gene expression, a wide range of filtration systems, as well as salts and sugars. The single-use solutions offered by the Process Solutions business area provide increased operational flexibility to customers in the biopharmaceutical industry since they eliminate time- and cost-intensive cleaning procedures. Moreover, these single-use solutions are compatible with various products, reducing investment costs for the customer.

In the second quarter, an enhanced application of the Life Science business' existing TFF technology that allows concentration of process streams without the recirculation required in traditional TFF was introduced. The single-pass tangential flow filtration (TFF) with Pellicon® cassettes eliminates typical process constraints caused by higher volumes or concentration factors, resulting in increased capacity. It also enables continuous processing by coupling the TFF step in-line with other process steps.

June was a month with numerous important product launches for the company's Life Science business. On June 1, 2015, the new Cellvento™ CHO platform of cell culture media and companion feed formulations for batch, fed-batch and perfusion applications was introduced. Available in liquid and powder form, the chemically defined, non-animal-origin media deliver superior cell growth and productivity for various CHO cell types used in biopharmaceutical development and manufacturing. The range of products offers customers the flexibility to choose the most suitable product to achieve the best possible performance results for their specific cell line.

On June 2, 2015, the Life Science business also introduced the "Compaction Technology", a new technology that compacts dry powder cell culture media into granules, therefore improving olubility and facilitating the handling of cell culture media used in biopharmaceutical production. The compacted media are more convenient to use, allowing biopharmaceutical manufacturers to further optimize their upstream processes.

Also in June, the new Mobius® 2000 liter single-use bioreactor was launched. The 2,000 liter bioreactor joins the Mobius® stirred tank bioreactor portfolio (from 3 to 2,000 liters) that provides the ultimate in flexibility, scalability, and convenience. It is a gateway product that will allow the Life Science business to enter into discussions earlier with customers who are considering single-use manufacturing strategies. It will give the Life Science business the ability to meet their demands of clinical scale biomanufacturing.

With the 2,000 liter bioreactor in its portfolio, the Life Science business will be positioned to offer a fully scalable range of bioreactors. It completes the portfolio to uniquely position the Life Science business against competition in the biosimilars markets, where customers have unique challenges and need to implement manufacturing strategies in a short time frame to increase their speed to market.

Additionally, with an expansion of its Provantage® Biodevelopment Services to include a Clone Generation Service, the Life Science business now provides a full range of services for optimizing yield, productivity, consistency and efficiency of clinical-scale drug products. It helps accelerate time-to-clinic by delivering high-quality, high-expressing cell lines; its flexible production platform offers choice of DG44 or CHO-S cell lines, and the fully documented clones meet traceability requirements for clinical production, IND submission and manufacturing.

The main product groups of the Bioscience business area include tools and consumables for filtration and sample preparation, reagents and kits for cell biology experiments, as well as small tools and consumables for cell analysis. With these products, the Life Science business supports its customers in understanding complex biological systems and identifying new target molecules. the Life Science business offers complete and validated applications to make research processes faster and more efficient.

In April, the Life Science business introduced Magna ChIRP™ RNA Interactome Kits. These allow researchers to more easily identify, recover and analyze regions of chromatin that interact with chromatin-associated RNAs such as long non-coding RNA (lncRNA). The highly effective multiprobe-based capture strategy uses cross-linked chromatin to provide reliable detection and discovery of RNA-associated genomic DNA sequences, RNA sequences and proteins. The kits simplify the ChIRP method, providing all necessary buffers, enzymes and reagents in one validated kit, as well as a negative control probe set and detailed protocol with capture probe design guidelines.

In May, the Life Science business announced the publication of a study showing that its Strat-M® synthetic membrane predicts skin permeation of chemical compounds during in vitro transdermal diffusion studies as effectively as human or animal skin. The study was conducted by researchers at Josai University in Japan and published in the January 25, 2015 issue of the European Journal of Pharmaceutical Sciences. Strat-M® membrane is a synthetic, non-animal-based model that is predictive of diffusion in human skin for a wide range of compounds and formulations, including active pharmaceutical ingredients, cosmetic actives, personal care products, pesticides and other chemicals. The membrane provides highly consistent, reproducible diffusion data without the lot-to-lot variability that often occurs with biological models.

PERFORMANCE MATERIALS

The Performance Materials business sector of Merck KGaA, Darmstadt, Germany, comprises the Groups's entire specialty chemicals business. The portfolio includes high-tech performance chemicals for applications in fields such as consumer electronics, lighting, coatings, printing technology, paints, plastics, and cosmetics. The acquisition in May 2014 of AZ Electronic Materials (AZ), a leading supplier of high-tech materials for the electronics industry, has significantly strengthened Performance Materials. The business sector's share of Group sales was 20% in the second quarter of 2015 and its share of EBITDA pre exceptionals (excluding Corporate and Other) was 30%. The results of AZ have been included since May 2, 2014.

Since January 1, 2015, Performance Materials has been organized into the following business units: Display Materials, Pigments & Functional Materials, Integrated Circuit Materials comprising the AZ business with specialty chemicals for use in integrated circuits (semiconductors), as well as Advanced Technologies.

The Display Materials business unit, which for example also includes photoresists as a result of the integration of AZ, again generated more than half of the net sales of Performance Materials in the second quarter of 2015. With a high market share, Merck KGaA, Darmstadt, Germany, has established itself as the global market and technology leader in liquid crystal mixtures. The market is highly consolidated. In addition, barriers to market entry exist due to the technological complexity of liquid crystals and the high quality requirements of customers and consumers. The seven largest LC display manufacturers are among the primary customers of the Liquid Crystals business. Merck KGaA, Darmstadt, Germany, has the broadest product offering in the industry and offers, among other things, liquid crystals optimized for PS-VA and IPS technologies. This enables Performance Materials to meet individual customer needs and offer solutions for all display sizes, from smartphones and tablet computers, to large-size television screens.

Today's smartphones and tablet computers with their brilliant touchscreens would not exist had it not been for the most recent advancements in liquid crystal display technology. Crucial for such mobile devices is the energy efficiency of their displays. In view of this challenge, UB-FFS technology (ultra-brightness fringe field switching) developed by Merck KGaA, Darmstadt, Germany, is a key further development. UB-FFS exploits 15% more of the display's backlight and so saves up to 30% of the energy required by devices. On April 24, 2015, Merck KGaA, Darmstadt, Germany, received the German Innovation Award for this breakthrough technology. In June, the company won the 2015 Display Industry Award from the Society for Information Display (SID) in San Jose, California (USA), also for UB-FFS technology.

Merck KGaA, Darmstadt, Germany, is pursuing a strategy of leveraging its expertise in liquid crystals in order to develop new fields of application for innovative liquid crystal technology. In 2014, the company acquired the remaining interest in Peer+ based in the Netherlands, a specialist for the development of liquid crystal windows (LCW). The company has now been fully integrated. With the acquisition of its long-standing cooperation partner Peer+, Merck KGaA, Darmstadt, Germany, is further advancing the development of the future-oriented market for smart windows. The major innovation of liquid crystal windows lies in their continuously variable switching functionality from light to dark in just seconds while permitting a broad color spectrum. In the first half of 2015, the first LCW panels were installed in the new modular Innovation Center in Darmstadt.

The Pigments & Functional Materials business unit develops and markets a comprehensive product portfolio of decorative effect pigments and functional materials. The effect pigments are primarily used in automotive and industrial coatings, plastics, printing applications, and cosmetics in order to give products a unique shine. Functional materials include laser marking, conductive additives, applications for counterfeit protection as well as high-quality cosmetic active ingredients, for example for use in skin care, sun protection and insect repellants. In the second quarter, the business unit exhibited at key industry tradeshows, for example the European Coatings Show in Nuremberg, Germany, and the InCosmetics in Barcelona, Spain.

Merck KGaA, Darmstadt, Germany, completed the integration of AZ and its global workforce of around 1,100 employees according to schedule by the end of 2014. As of January 1, 2015, the semiconductor materials business was transferred to the Integrated Circuit Materials (ICM) business unit. The former Optronics business (e.g. photoresists) was integrated into the Display Materials business unit. As an important partner to leading global semiconductor and electronics manufacturers, ICM achieves more than 60% of its sales in Asia, and generated more than three-quarters of its sales with products that are the leaders in their respective markets. The products offered by the ICM business unit are used to manufacture integrated circuits, microelectronic systems, for antireflection coatings, and for the miniaturization of transistor structures. The new portfolio of the former AZ thus optimally complements the range of materials offered by Performance Materials.

The Advanced Technologies business unit invests in future-oriented research and development, supporting the growth and sustainable competitiveness of Performance Materials. The business unit also manufactures and markets materials for organic light-emitting diodes (OLEDs), which are used in new lighting applications and display technologies. The OLED materials business developed positively in the first quarter. The demand for OLED materials from Merck KGaA, Darmstadt, Germany, increased significantly, particularly in Asian countries. At the same time, the customer base expanded.

In May 2015, Merck KGaA, Darmstadt, Germany, inaugurated the OLED Application Center (OAC) at the Poseung site in Korea. With the investment of € 7 million, the company has strengthened its OLED research activities. The OLED Application Center has a range of equipment for OLED evaporation testing and reliability analysis. In the course of continuous further investments, other advanced processes such as inkjet printing will be introduced. The project team of Merck Korea, a subsidiary of Merck KGaA, Darmstadt, Germany, spent one year on the design and construction of the new building and was supported by engineers. The building features cleanroom facilities and equipment that meet international standards. With construction having been completed last February, operations have already started in the building.

Shortly after the opening of the OAC in Korea, Merck KGaA, Darmstadt, Germany, laid the cornerstone for the new OLED materials production unit in Darmstadt in mid-June. Production of high-purity OLED materials for use in state-of-the-art displays and lighting systems is scheduled to start in the approximately 2,000 square meter building in July 2016. With the investment, which amounts to around € 30 million, the company aims to strengthen its position in the OLED business. The new OLED production plant is one of the largest single investments that the Group has made at the Darmstadt site in recent years. It reflects the absolute highest technical standards.

In June, Merck KGaA, Darmstadt, Germany, also presented organic photovoltaic materials at EXPO 2015 in Milan, Italy. Modern printed high-performance polymers from Merck KGaA, Darmstadt, Germany, provide for power generation by futuristic solar trees at the German Pavilion.

At the end of June, the Group announced its intention to acquire the remaining interest in the startup Qlight Nanotech Ltd., based in Jerusalem, Israel. The company is developing a display technology based on quantum materials. The novel nanocrystals from Qlight Nanotech help to increase the color gamut and energy efficiency of modern displays.

OBJECTIVES AND STRATEGIES OF THE GROUP

In 2007, Merck KGaA, Darmstadt, Germany, launched a transformation process aimed at securing its future through profitable growth in highly specialized niche markets within today's Healthcare, Life Science and Performance Materials business sectors of Merck KGaA, Darmstadt, Germany.

This process started with the large-scale acquisitions of Serono SA in 2007 and the Millipore Corporation in 2010. In 2011, the company embarked on the "Fit for 2018" transformation and growth program with a new executive management team. In the first phase, the company created the foundation for profitable growth by introducing a new leadership organization and a comprehensive, Group-wide efficiency program. The second phase, which started in 2014, is aimed at successively implementing the growth options identified by establishing three strong platforms for sustainable profitable growth. **Merck KGaA, Darmstadt, Germany,** is building on its core competencies:

- → Closeness to existing businesses
- → Innovative strength
- → Customer proximity (to offer tailored solutions)
- → Focus on specialty businesses

Moreover, the company is aiming to expand its business model systematically and continuously to include new technologies and partnerships. In 2014, three important milestones were achieved in the implementation of the Group strategy:

- → Through the acquisition of AZ Electronic Materials, which was completed in May, the product base and new customer offerings were expanded by new technologies.
- → With the announcement of the planned acquisition of Sigma-Aldrich in September, the foundation was laid for enhancing the Group's position in the attractive life science industry. The aim of the planned merger is to offer customers a broader range of products and services as well as the industry's leading e-commerce platform.
- → With the November announcement of the agreement with Pfizer on a strategic alliance for anti-PD-L1, the company wants to accelerate its presence in immuno-oncology by combining the strengths and capabilities of the two companies in the highly competitive anti-PD-1/anti-PD-L1 space. Up to 20 immuno-oncology clinical development programs are planned for commencement in 2015, including up to six pivotal registration studies. The alliance also has the potential to accelerate the company's entry into the U.S. oncology market through the co-promotion of Xalkori®.

In line with its strategic agenda and focus on three growth platforms, effective January 1, 2015 the company organizationally repositioned itself. The previous four divisions have been replaced by three business sectors:

- → **Healthcare** comprises the Biopharmaceuticals, Consumer Health, Allergopharma and Biosimilars businesses.
- → **Life Science** consists of the Life Science business.
- → **Performance Materials** corresponds to the business of the same name.

The strategic transformation into a specialist for innovative high-tech solutions in Healthcare, Life Science and Performance Materials is reflected by the composition of sales. Within the Healthcare business sector of Merck KGaA, Darmstadt, Germany, Biopharmaceuticals today generates more than 65%–70% of its sales with biopharmaceuticals. In 2006, there was only one such product, Erbitux®, which accounted for less than 10% of sales. The classic Chemicals business has increasingly become a premium materials business that offers Merck KGaA, Darmstadt, Germany, customers a wide range of value-adding products. Today, high-tech materials and life science tools make up around 80% of sales in the Life Science and Performance Materials business sectors of Merck KGaA, Darmstadt, Germany. In 2006, the share was around 30%.

GENERAL PRINCIPLES & GROUP STRATEGY

The year 2018 will mark the 350th anniversary of the Group. The general principles of the "Fit for 2018" transformation and growth program and the Group strategy are to serve as a compass beyond 2018 as well.

General principles

In its business endeavors, the company orients towards general principles. They help those responsible within the company to shape strategic plans and to make decisions.

The structure of Merck KGaA, Darmstadt, Germany, with members of the Merck family as personally liable partners requires the Executive Board of Merck KGaA, Darmstadt, Germany, whose members are also personally liable partners, to pay special attention to the long-term development of value. Therefore, sustainability plays a special role at the company. The objective is to align the long-term development of the company with the legitimate interests of shareholders, whose engagement in the Group is normally of a shorter duration. That is why the company's business portfolio must always be balanced so that it reflects an optimum mix of entrepreneurial opportunities and risks. The company achieves this through diversification in the Healthcare, Life Science and Performance Materials business sectors of Merck KGaA, Darmstadt, Germany, as well as through its geographic breadth with respect to growth sources.

For the Group, the principle of sustainability applies not only to economic aspects. Instead, it also encompasses responsibility for society and environmental preservation. With its current and future product portfolio, the company wants to help solve global challenges and shape a sustainable future. That is also why innovation is the basis of the company's business activities; it is the prerequisite for future growth. Merck KGaA, Darmstadt, Germany, is continually working on innovative products and services for patients and customers and relies on a continuous process of internal innovation throughout all areas of the company.

Group strategy

The Group focuses on innovative and top-quality high-tech products in the Healthcare, Life Science and Performance Materials business sectors of Merck KGaA, Darmstadt, Germany. The company's goal is sustainable and profitable growth. The Group intends to achieve this by growing organically and by further developing its competencies, as well as by making targeted acquisitions that complement and expand existing strengths in meaningful ways. Building on leading products in all its businesses, the company aims to generate income that is largely independent of the prevailing economic cycles. Moreover, the aim is to further expand the strong market position in growth markets in the medium to long term. In 2014, the former Emerging Markets reporting region contributed 38 % to Group sales.

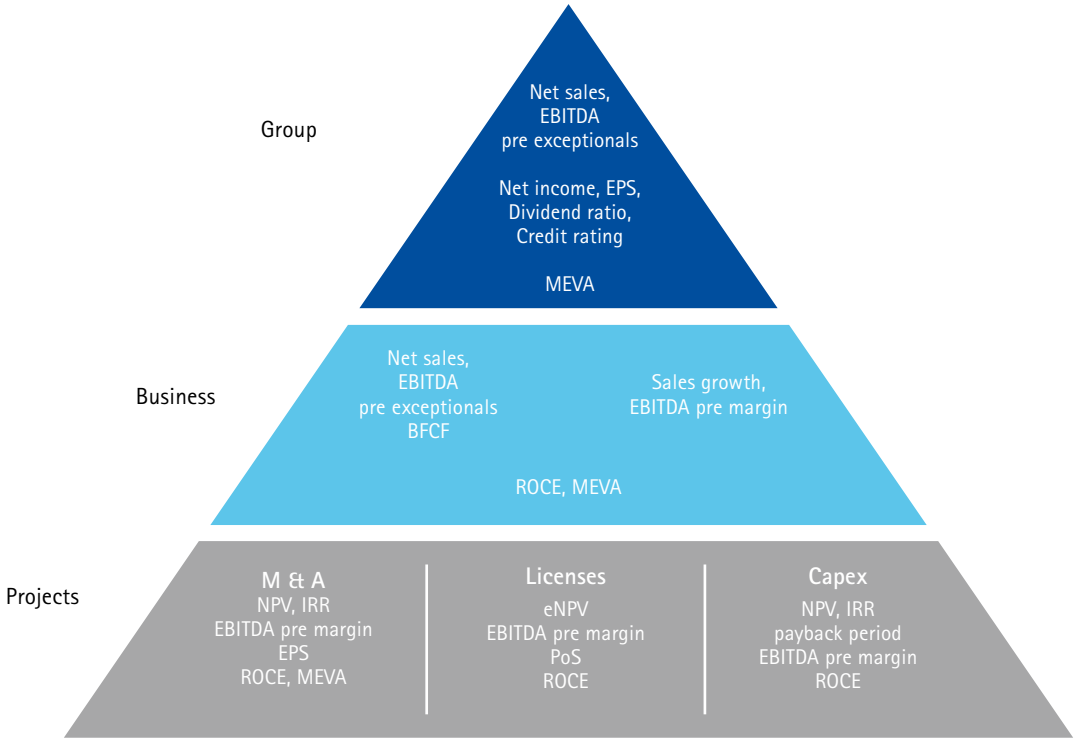
More information on the Group's general principles and strategy can be found on pages 50 to 54 of the Annual Report of Merck KGaA, Darmstadt, Germany, for 2014.

INTERNAL MANAGEMENT SYSTEM OF THE GROUP

As a global company with a diverse portfolio of products and services, Merck KGaA, Darmstadt, Germany, uses a comprehensive framework of indicators to manage performance. The most important KPI (key performance indicator) to measure the performance is EBITDA pre exceptionals. Net sales as well as business free cash flow continue to rank among the most important factors for assessing operational performance.

The Value Creation and Financial KPI Pyramid, which summarizes the important financial performance measures of the Group, reflects the comprehensive framework of financial KPIs to steer the businesses and prioritize the allocation of cash resources. It consists of three managerial dimensions, which require the use of different indicators: Group, Business and Projects.

For more information on the company's internal management system, see pages 55 to 58 of the Annual Report of Merck KGaA, Darmstadt, Germany, for 2014.



Abbreviations

EBITDA pre = Earnings before interest, income tax, depreciation and amortization pre exceptionals
EPS = Earnings per share
MEVA = value added of Merck KGaA, Darmstadt, Germany
BFCF = Business free cash flow
ROCE = Return on capital employed
NPV = Net present value
IRR = Internal rate of return
eNPV = expected Net present value
PoS = Probability of success

RESEARCH & DEVELOPMENT

Merck KGaA, Darmstadt, Germany, conducts research and development worldwide in order to develop new products and services designed to improve the quality of life of patients and to satisfy the needs of customers. In 2014, the company focused on further optimizing the relevance and efficiency of its research and development activities. For this purpose, the Group increased the number of new collaborations with external research and development partners.

Approximately 4,700 employees work for the company researching innovations to serve long-term health and technology trends in established and growth markets as well as in developing countries.

In the first half of 2015, the company spent more than € 700 million on research and development. In our research and development activities, we focus on both in-house research and external collaborations, which enable us to increase the productivity of our research while simultaneously reducing financial outlay.

HEALTHCARE

Biopharmaceuticals

Oncology

At the European Society for Medical Oncology (ESMO) World GI (Gastrointestinal) Congress in Barcelona, Spain in early July, results were presented from the Phase II CAPRI-GOIM trial. This was an independent study performed by an academic group. It enrolled 340 KRAS exon 2 wild-type mCRC patients and is the first study to evaluate Erbitux® (cetuximab) as a second-line treatment after progression in patients with metastatic colorectal cancer. Patients received first-line treatment of FOLFIRI plus Erbitux® and responders were then randomized to receive second-line treatment of FOLFOX plus Erbitux® or FOLFOX alone. A quadruple wild-type population from this study (no mutation in KRAS, NRAS, BRAF or PIK3CA; assessed by next-generation sequencing) showed significantly prolonged progression-free survival, and improved overall survival and response rates with second-line Erbitux®/FOLFOX after first-line Erbitux®/FOLFIRI. This suggests that continuing anti-EGFR treatment while switching the chemotherapy backbone in second-line is feasible following progression.

In mid-May, Merck KGaA, Darmstadt, Germany, announced that the U.S. Food and Drug Administration (FDA) had granted Fast Track designation for the development of evofosfamide for the treatment of previously untreated patients with metastatic or locally advanced unresectable pancreatic cancer. Evofosfamide is an investigational hypoxia-activated prodrug thought to be activated under severe tumor hypoxic conditions, a feature of many solid tumors. Pancreatic cancer is the second indication for which this compound has received Fast Track designation from the FDA, following the granting of the designation in advanced soft tissue sarcoma in late 2014. The FDA established the Fast Track designation process to facilitate the development and to expedite the review of drugs intended to treat serious or life-threatening conditions that demonstrate the potential to address unmet medical needs.

Tepotinib*, a small molecule inhibitor of the c-Met receptor tyrosine kinase, was moved to the Phase II part of an ongoing open-label Phase I/II trial in Asian patients to evaluate its efficacy, safety, and pharmacokinetics as first-line treatment versus sorafenib in subjects with treatment-naive advanced hepatocellular carcinoma. The study plans to randomize approximately 140 patients with Met+ tumors to tepotinib 500 mg/d or sorafenib 400 mg twice a day. The primary endpoint is time to progression.

Immuno-Oncology

Multiple presentations on studies evaluating the preliminary safety and efficacy of avelumab were presented at the 2015 American Society of Clinical Oncology (ASCO) annual meeting, providing

*Tepotinib is the proposed International Nonproprietary Name (INN) for the c-Met kinase inhibitor, previously known as MSC2156119J.

the latest clinical updates available across various tumor types. It included an oral presentation on ovarian cancer and posters on gastric cancer, non-small cell lung cancer (NSCLC) and several other studies in a range of patient populations.

The NSCLC data are from the international Phase I trial, an open-label, multiple ascending dose study that is investigating the safety, tolerability, pharmacokinetics, biological and clinical activity in patients with metastatic or locally advanced solid tumors. In this analysis, the safety and clinical activity in 184 patients with advanced NSCLC progressing after platinum-based chemotherapy were assessed. Objective response was observed in 25 (13.6%) patients, including one complete response and 24 partial responses; 19 responses were ongoing at the time of the analysis, including in 2 patients who continued to respond off-treatment. The proportion of patients alive at 12 months was 37.0%.

The results from this trial helped inform the currently recruiting Phase III trial (EMR 100070-004) designed to assess the efficacy and safety of avelumab, compared with docetaxel, in patients with stage IIIb/IV (NSCLC) who have experienced disease progression after receiving platinum-containing doublet therapy.

An oral presentation at ASCO showed data from the Phase I study for a cohort of patients with recurrent or refractory ovarian cancer, unselected for PD-L1 expression with a median of four prior lines of treatment (not including adjuvant treatment). Of the 75 enrolled patients, 8 showed a partial response and 33 patients had a stable disease translating into a disease control rate of (DCR) 54.7%. The overall response rate was 10.7%. Phase III clinical development in this indication is planned and recruitment of an additional 45 ovarian cancer patients is currently ongoing in the Phase Ib expansion cohort.

Clinical data of avelumab from a Phase I study in Japanese patients with advanced gastric cancer were also presented. Of the 20 patients treated who had received multiple prior therapies, partial responses were observed in three patients. The Japanese study is currently ongoing and is recruiting 20 additional patients to the gastric cancer cohort. Further studies in patients with gastric cancer are currently planned.

Neurology

Patient enrollment was completed into the Phase IIa study of M2736 (also known as ATX-MS-1467), an investigational immune-tolerizing agent. It is currently being tested in an open-label, one-arm proof-of-principle trial to evaluate the safety of M2736 and its effect on immune tolerance in subjects with relapsing multiple sclerosis which involves frequent neuroimaging using magnetic resonance imaging. The outcome of the study is expected in 2016.

Fertility

In early June, Merck KGaA, Darmstadt, Germany, announced the formation of the Global Fertility Alliance, a new collaboration to advance excellence in fertility technologies and processes within the ART laboratory. The alliance is a partnership between the Biopharmaceuticals business and Illumina Inc., San Diego, California, a leader in developing and commercializing systems for analysis of genetic variation and function, and Genea Ltd., Australia, which develops innovative fertility technologies. The alliance aims to improve the consistency in ART worldwide and addresses the need for more standardization of fertility processes within the ART laboratory.

Also in June, the Biopharmaceuticals business announced its support of the Grant for Fertility Innovation (GFI) fund with grants totaling up to € 1.2 million for the years 2015/2016. The announcement was made during the 31st annual meeting of ESHRE which took place in Lisbon, Portugal. Launched in 2009, the GFI is dedicated to transforming innovative translational fertility research projects into concrete health solutions to improve the outcomes of assisted reproductive technologies (ART). In the last six years, approximately 750 applications to GFI were received from over 50 countries around the world.

Ovidrel® (recombinant-hCG), used to trigger follicle maturation and ovulation, was assessed in a pivotal Phase III trial in Ovulation Induction (OI) in Japan to bridge to the existing Ovulation Induction and advanced reproductive treatment (ART) data from global pivotal trials. Merck KGaA, Darmstadt, Germany, is currently preparing a regulatory submission in Japan based on the positive outcome of this trial.

The Phase III ESPART trial to assess the efficacy and safety of Pergoveris® (follitropin alfa and lutropin alfa) versus Gonal-f® (follitropin alfa) for multifollicular development as part of an ART cycle in women who are classified as poor ovarian responders (POR) according to a definition built on the European Society of Human Reproduction and Embryology (ESHRE) criteria did not meet its primary endpoint of a significant increase in the total number of retrieved oocytes in women with POR compared to Gonal-f®. POR patients are characterized by a spectrum of clinical characteristics related to their ovarian reserve and their ability to respond to controlled ovarian stimulation (COS). In these women, a low number of follicles develop during treatment, and only a small number of oocytes are retrieved through ART. The current use of Gonal-f® and Pergoveris® in its approved indications are unaffected by the outcome of this trial.

Endocrinology

With respect to Kuvan®, on May 22, 2015, the Biopharmaceuticals business announced that the EMA CHMP issued a positive opinion on an update to the product information. Following review of the data from SPARK, a Phase IIIb clinical study, the CHMP recommended that the Kuvan® indication be extended to allow its use in children with phenylketonuria (PKU) below 4 years of age who have shown to be responsive to such treatment. In Europe there is currently no licensed medication for the treatment of PKU in children who are below 4 years of age. In July, the European Commission approved a corresponding update to the Summary of Product Characteristics (SmPC).

To simplify the the Biopharmaceuticals business naming convention in R&D, all pipeline programs have been assigned an M-number composed of four random digits to be used until the compound has an INN name from the World Health Organization. This M-number can also be used to find information about the ongoing clinical trials on **http://www.clinicaltrials.gov**.

Consumer Health

In its Consumer Health business, the company markets over-the-counter medicines and food supplements in Europe – primarily for France, Germany, and the United Kingdom – as well as in Latin America and Southeast Asia, where sales volumes are rising. The focus of research and development activities in Consumer Health is on constantly improving tried and proven formulations consistent with the needs of consumers. Innovations by Consumer Health center on consumers and their needs. On the one hand, established products are being adapted to changing consumer needs while on the other hand, new technological innovations are being developed to satisfy entirely new needs. A good example of this is the new product Apaisyl® Nits Detect, which colors nits on the scalp with a fluorescent dye, thus making it much easier to comb them out. Since 2014, the Group has been increasingly entering into cooperation agreements with independent research institutions in order to tap into their expertise in developing new and existing products in a targeted manner. At the same time, Consumer Health is further developing its established brand-name products by making them simpler to use and by offering accompanying services.

Allergopharma

The allergy business of Merck KGaA, Darmstadt, Germany, is one of the leading manufacturers of diagnostics and prescription drugs for allergen immunotherapy (AIT). With its own research department and in cooperation with research institutes and other partners, the company is helping develop a better understanding of the immunological mechanism that underlies the development of allergies and is actively working on the next generation of drugs for allergen immunotherapy.

LIFE SCIENCE

Life Science

In 2015, the Life Science business is focusing on the implementation of key strategic initiatives, five of which are centered around innovation:

- Expanding the Biomonitoring portfolio to customers in the food and beverage industries
- Increasing penetration in RNA detection
- Accelerating growth in cell analysis and developing partnerships in clinical diagnostics
- Leading in selected sectors
- Building end-to-end offerings for growth markets

In the second quarter, the Life Science business significantly advanced its research and development efforts, supporting all five areas mentioned above. The Life Science business of Merck KGaA, Darmstadt, Germany, has more than 650 employees working in various R&D functions across the globe. These employees take customer needs and pain points and translate them into product innovations. With R&D spending of € 48.6 million in the second quarter, the Life Science business invested significantly in R&D, representing around 6% of its net sales.

In order to expand its Biomonitoring portfolio to customers in the food and beverage industries, the Lab Solutions business area announced three additions to its MAS-100® product family in the second quarter. The MAS-100 Iso MH® and MAS-100 Iso NT® systems were developed for use in isolators and enable sampling at critical control points. The distinguishing feature of the MAS-100 Iso MH® system is its four sampling heads, which allow for increased monitoring capacity compared to single-head systems. The compact and easy-to-handle design of the MAS-100 VF® air sampler makes it well-suited for use in controlled environments.

To increase the Life Science business' penetration in RNA detection, the Bioscience business area introduced a number of important new products. In April 2015, the Magna ChIRP™ RNA Interactome Kits were launched, allowing researchers to more easily identify, recover and analyze regions of chromatin that interact with chromatin-associated RNAs such as long non-coding RNA (lncRNA). The highly effective multiprobe-based capture strategy uses cross-linked chromatin to provide reliable detection and discovery of RNA-associated genomic DNA sequences, RNA sequences and proteins.

In order to lead in select sectors, single-pass tangential flow filtration (TFF) with Pellicon® cassettes was introduced in May, an enhanced application of the Life Science business' existing TFF technology that allows concentration of process streams without the recirculation required in traditional TFF. This alternative application eliminates typical process constraints caused by higher volumes or concentration factors, resulting in increased capacity. It also enables continuous processing by coupling the TFF step in line with other process steps.

To accelerate growth in cell analysis, in May the Life Science business entered into a definitive agreement with Singulex, a developer and leading provider of Single Molecule Counting (SMCTM) technology for clinical diagnostics and scientific discovery, under which the Life Science business will control and manage the Singulex Life Science Research business. Under the terms of the agreement, the Life Science business will pay Singulex an upfront payment, royalties and additional payments based upon achievement of certain commercial milestones. The Life Science business will have exclusive rights to further develop and commercialize the SMC technology for research applications worldwide.

During Achema 2015, one of the largest industry conventions for the life science industry held in Frankfurt, Germany in June, the new Mobius® 2000 liter single-use bioreactor was launched. The 2,000 liter bioreactor joins the Mobius® stirred tank bioreactor portfolio (from 3 to 2,000 liters) that provides the ultimate in flexibility, scalability, and convenience. With configurable software, hardware and single-use Flexware® assemblies for suspension and adherent cell culture applications, the new 2,000 liter single-use bioreactor incorporates industry-leading design features that enable users to easily optimize their upstream process.

The Mobius® 2000 liter bioreactor is a gateway product that will allow the Life Science business to enter into discussions earlier with customers who are considering single-use manufacturing strategies. It will give the company the ability to meet their demands of clinical-scale biomanufacturing.

With the 2,000 liter bioreactor in its portfolio, the Life Science business will be positioned to offer a fully scalable range of bioreactors and allow the organization to influence key standards such as film selection and single-use technologies, in both up- and downstream production. The Mobius® 2000 liter single-use bioreactor completes the Life Science business portfolio to uniquely position the company against competition in the biosimilars markets, helping customers to implement manufacturing strategies in a short time frame to increase their speed to market.

With this product introduction, the Life Science business now has a range of products and services that spans process design, implementation of equipment, operator training, chemicals and core technologies in the production of monoclonal antibodies. It is also an important milestone in the Life Science business' efforts to build end-to-end offerings for emerging markets.

Additionally, in the second quarter the Life Science business' Process Solutions business area introduced the new Cellvento™ CHO platform of cell culture media and companion feed formulations for batch, fed-batch and perfusion applications. Available in liquid and powder form, the chemically defined, non-animal-origin media deliver superior cell growth and productivity for various CHO cell types used in biopharmaceutical development and manufacturing. The Cellvento™ CHO platform includes cell line and process-specific media and feed compositions, allowing selection of the optimal media formulation for a given application. The range of products also offers customers the flexibility to choose the most suitable product to achieve the best possible performance results for their specific cell line. The platform provides a variety of formulations designed to meet the needs of CHO-S, CHO-DHFR negative and CHO-K1 suspension cell types. All formulations offer excellent powder homogeneity and consistency, resulting in strong lot-to-lot reproducibility. The media are supported by comprehensive regulatory information on their manufacture, characterization and control.

The Life Science business also introduced the "Compaction Technology", a new technology that compacts dry powder cell culture media into granules and therefore improves solubility, facilitating the handling of cell culture media used in biopharmaceutical production. The compacted media are more convenient to use, allowing biopharmaceutical manufacturers to further optimize their upstream processes.

In June, an expansion of the Life Science business' Provantage® Biodevelopment Services was announced to include a Clone Generation Service. With this addition, the company now provides a full range of services for optimizing yield, productivity, consistency and efficiency of clinical-scale drug products. It helps accelerate time-to-clinic by delivering high-quality, high-expressing cell lines. Its flexible production platform offers choice of DG44 or CHO-S cell lines, and the fully documented clones meet traceability requirements for clinical production, IND submission and manufacturing.

In the second quarter, the Life Science business also announced the publication of a study showing that its Strat-M® synthetic membrane predicts skin permeation of chemical compounds during in vitro transdermal diffusion studies as effectively as human or animal skin. The study was conducted by researchers at Josai University in Japan and published in the January 25, 2015 issue of the European Journal of Pharmaceutical Sciences. Strat-M® membrane is a synthetic, non-animal-based model that is predictive of diffusion in human skin for a wide range of compounds and formulations, including active pharmaceutical ingredients, cosmetic actives, personal care products, pesticides and other chemicals. The membrane provides highly consistent, reproducible diffusion data without the lot-to-lot variability that often occurs with biological models.

PERFORMANCE MATERIALS

With its Performance Materials business sector, Merck KGaA, Darmstadt, Germany, is the undisputed market and technology leader in liquid crystals (LCs), which are primarily used in LCD televisions and in most displays of mobile communication devices. The Group is also one of the leading suppliers of decorative and functional effect pigments. High-tech materials and solutions from Merck KGaA, Darmstadt, Germany, are used by customers in the consumer electronics, lighting, coatings, printing technology, plastics applications, and cosmetics industries. With the acquisition of AZ Electronic Materials (AZ) in May 2014, Integrated Circuit Materials was integrated as a further business unit into the portfolio of Merck KGaA, Darmstadt, Germany. Integrated Circuit (IC) chemicals are used for integrated circuit manufacture. The former AZ Optronics business, including for example photoresists, was integrated into the Display Materials business unit. In all Performance Materials business units, the growth dynamics of emerging markets are of major importance.

Display Materials

In the area of LC displays (LCDs) for mobile devices, Merck KGaA, Darmstadt, Germany, has developed a new switching mode for liquid crystals, UB-FFS technology (ultra-brightness fringe field switching). The new LC switching mode has the potential to increase display light transmittance by 15%. The new technology offers many advantages: Firstly, it reduces energy consumption and thus increases the battery life of mobile devices. Secondly, it improves mobile display quality and supports the trend towards higher resolutions. The market launch is proceeding well: The new switching mode is already used in many smartphones and tablet PCs. For this pathbreaking technology, Merck KGaA, Darmstadt, Germany, received the German Innovation Award in April 2015 and the 2015 Display Industry Award from the Society for Information Display (SID) in San Jose, California (USA) in June 2015.

The Group's "LC 2021" strategic initiative combines the company's future LC activities, with a special focus on applications beyond displays. For example, liquid crystals can regulate the light and heat transmittance of windows in building façades by quickly and efficiently switching glass between light and dark. Since the acquisition in July 2014 of the remaining interest in Peer+, a Dutch specialist for liquid crystal-based smart windows, Peer+ has now been fully integrated under the name of EMD Window Technologies. For these LC windows (LCWs), the development and production of customized liquid crystal materials are in full swing at the Group, as is the supply of first window prototypes in collaboration with partners. In the first quarter of 2015, a whole façade of LCWs was installed in the company's own Innovation Center at global headquarters in Darmstadt.

The Group is already collaborating intensively with selected partners in the glass and window sector on mass production and broad-based marketing of LCWs.

OLED

Organic light-emitting diodes (OLEDs) are used in innovative lighting applications and display technologies. They provide brilliant colors and sharp images from any viewing angle; they have a long lifespan and are highly energy-efficient. In addition, OLEDs enable round or flexible displays, making them perfect for use in the latest technical applications. One such example is the smartwatch, a wristwatch that provides Internet access along with additional computer functionality.

The name of the company's product line for these types of applications is livilux®. The company has developed a strong portfolio of worldwide patents, based on more than ten years of experience. Development partnerships with customers are a way of testing new technologies and making them market-ready. For instance, Performance Materials has co-developed in collaboration with printer manufacturer Seiko Epson a technology that can be used to print OLED displays. While Merck KGaA, Darmstadt, Germany, contributed its expertise in OLED material and ink development to the collaboration, Seiko Epson contributed its expertise in print heads featuring Micro Piezo inkjet technology as well as process expertise. The jointly developed technology offers the advantage of lower costs and higher material efficiency. In contrast to evaporated OLED displays, the materials are applied at room temperature and under normal pressure in the case of printed OLED displays. In addition, this technique only deposits material in the areas where diodes are actually located, thereby helping to conserve resources.

In May 2015, Merck KGaA, Darmstadt, Germany, inaugurated the OLED Application Center (OAC) at the Poseung site in Korea. With the investment of € 7 million, the Group has strengthened its OLED research activities.

High-quality pigments and functional materials

The Meoxal® brand is the latest development in effect pigments. These pigments captivate with their brilliant color saturation and exceptional performance, as a result of their innovative layer technology and the use of aluminum flakes as substrate. They are highly suitable for a multitude of high-performance applications, especially for automotive and plastic coatings. Three new pigments in the Meoxal® brand family were launched in 2014 and further launches are being prepared.

With Xirallic® NXT, Merck KGaA, Darmstadt, Germany, is introducing a new patented product generation of the well-known high-tech effect pigments. These offer customers an exceptional "living-sparkle effect", high styling potential and consistent quality. The latest product of the new generation – Xirallic® NXT Leonis Gold – is a gold-colored, metallic effect pigment, which the Group has been offering since the beginning of 2015.

Besides high-quality decorative effect pigments, the Group also offers functional materials for technical applications as well as fillers and active ingredients for the cosmetics industry. Most recently, the cosmetic ingredient RonaCare® SereneShield was launched in time for the InCosmetics exhibition in Barcelona in April 2015, which is one of the leading exhibitions for cosmetic actives manufacturers. RonaCare® SereneShield supports the skin at any age to effectively reduce susceptibility to acne at three levels. Efficacy has been demonstrated in both in vivo and in vitro studies.

Further recent developments in technical applications relate for example to additives for the laser marking of plastics and conductive coatings, additives for heat-reflective glazing for greenhouses, as well as other functional materials, for instance for high-voltage technology. Here, Merck KGaA, Darmstadt, Germany, is working on fundamental knowledge in order to sustainably generate business in the area of energy management. The decision by the German Federal Ministry for Education and Research (BMBF) to fund a new project, which will be called iShield, clearly demonstrates the future potential of this area. As part of this program, as of autumn 2015 the Group will co-develop novel materials to shield generators and engines.

Integrated Circuit Materials

The IC Materials business unit supplies products for integrated circuit manufacture. One of the new product ranges developed for this area are novel spin-on metal oxide hardmasks. These are used together with high-carbon coatings to transfer increasingly thinner photoresist patterns to the desired substrates. The use of different metal oxides enables customers, depending on their requirements, to use different dry etching techniques and thinner hardmask layers.

In Directed Self Assembly (DSA), there is a continuing trend that all leading chip manufacturers regard this as a revolutionary technology and are intensively working on it. In DSA, the information for the smallest structures is already contained in the chemical make-up of the coating material. Researchers of the Group are collaborating with their customers on introducing DSA as a standard IC manufacturing method in the coming years.

The Group's SPINFIL™ product range is based on inorganic polymer perhydropolysilazane, which is used as a precursor for silicon dioxide isolation layers in chip manufacture. With this product, the company is leading in spin-on dielectrics (SODs). The newly launched SPINFIL™ 700 product line is aimed at critical SOD applications with the highest quality requirements. SPINFIL™ 700 is already qualified by customers and will soon go into production.

COURSE OF BUSINESS AND ECONOMIC POSITION GROUP

OVERVIEW OF Q2 2015

- → Net sales show double-digit growth, driven especially by currency tailwinds
- → Healthcare grows despite declining sales of Rebif®
- → Life Science posts strong organic sales growth
- → Increase in EBITDA pre exceptionals – the key financial indicator used to steer operating business – by 6.3% to € 899 million
- → High level of liquid assets exceeds the financial liabilities of the Group
- → Earnings per share pre exceptionals increase by 12.1% to € 1.30

GROUP → KEY FIGURES

€ million	Q2 – 2015	Q2 – 2014	Change in %	Jan.–June 2015	Jan.–June 2014	Change in %
Net sales[1]	3,219.5	2,815.3	14.4	6,260.6	5,443.5	15.0
Operating result (EBIT)	501.4	441.0	13.7	981.3	909.3	7.9
Margin (% of net sales)[1]	15.6	15.7		15.7	16.7	
EBITDA	844.8	767.0	10.1	1 ,650.3	1,537.2	7.4
Margin (% of net sales)[1]	26.2	27.2		26.4	28.2	
EBITDA pre exceptionals	899.4	845.7	6.3	1,752.4	1,652.7	6.0
Margin (% of net sales)[1]	27.9	30.0		28.0	30.4	
Earnings per share (€)	0.79	0.70	12.9	1.44	1.45	–0.7
Earnings per share pre exceptionals (€)	1.30	1.16	12.1	2.43	2.32	4.7
Business free cash flow	829.6	632.2	31.2	1,190.1	1,316.3	–9.6

[1] The composition of net sales has changed, see "Accounting Policies" in the Notes to the interim Group accounts.

Development of net sales and results of operations

In the second quarter of 2015, net sales of the Group rose by € 404 million or 14.4% to € 3,219 million (Q2 2014: € 2,815 million). The sales increase was driven in particular by positive foreign currency effects that arose from a weaker euro compared with the year-earlier quarter. Organic sales growth in the second quarter of 2015 amounted to € 63 million or 2.2%. The positive effects of foreign exchange movements totaled 10.2% and were mainly caused by the exchange rate development of the U.S. dollar as well as some Asian currencies such as the Chinese renminbi and the Taiwanese dollar. Due to acquisitions, sales increased by 1.9% or € 54 million. This was attributable to the first-time consolidation of AZ Electronic Materials within Performance Materials as of May 2, 2014.

GROUP →

NET SALES COMPONENTS BY BUSINESS SECTOR – Q2 2015

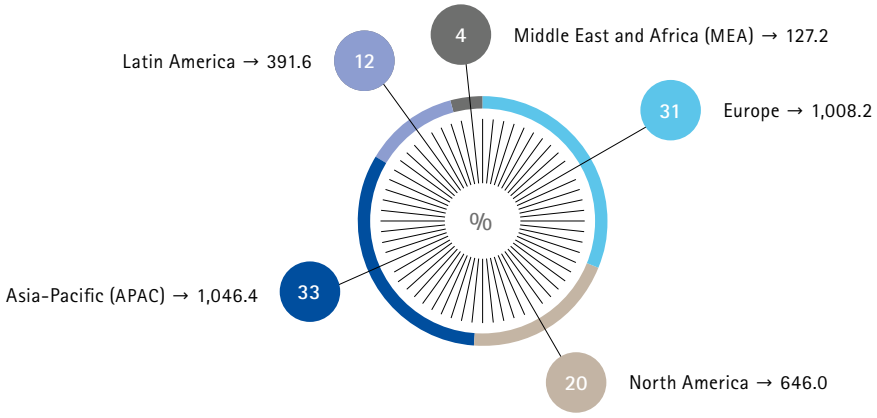
€ million / Change in %	Net sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Healthcare	1,803.4	1.5	7.8	–	9.2
Life Science	772.8	6.2	11.2	–	17.3
Performance Materials	643.3	–0.4	16.8	10.7	27.2
Group	**3,219.5**	**2.2**	**10.2**	**1.9**	**14.4**

All the business sectors contributed to the double-digit sales growth of the Group. Performance Materials achieved the highest growth rate with growth of 27.2%, thereby recording a sales increase of € 137 million to € 643 million (Q2 2014: € 506 million). The other two business sectors – Healthcare and Life Science – achieved absolute increases of around € 153 million to € 1,803 million (Q2 2014: € 1,651 million) and € 114 million to € 773 million (Q2 2014: € 659 million), respectively.

GROUP →

NET SALES BY REGION – Q2 2015

€ million / % of net sales



Driven by positive foreign exchange movements and supported by acquisition-related effects as well as moderate organic growth, sales in the Asia-Pacific region rose by 24.4% or € 205 million to € 1,046 million (Q2 2014: € 841 million). Thus, for the first time, the Asia-Pacific region became the Group's top-selling region, replacing Europe in this position. All business sectors contributed to organic growth of 3.1% in this region, with both Healthcare and Life Science showing strong organic growth rates. The contribution to Group sales by the Asia-Pacific region rose by 3 percentage points to 33% (Q2 2014: 30%).

At € 1,008 million, sales in Europe remained at the previous year's level (Q2 2014: € 1,006 million). While the Life Science and Performance Materials business sectors showed strong growth rates in this region, Healthcare sustained sales declines, especially for Rebif®. This reduced Europe's contribution to Group sales in the second quarter of 2015 to 31% (Q2 2014: 36%).

Sales in North America amounted to € 646 million (Q2 2014: € 528 million), which represents a year-on-year increase of 22.4% or € 118 million. This was mainly due to favorable currency effects caused by the strength of the U.S. dollar, while the slight organic decline in sales and the acquisition-related increase roughly offset each other. The contribution to Group sales by the North America region in the second quarter of 2015 was 20%, representing an increase of 1 percentage point (Q2 2014: 19%).

The Latin America region generated € 392 million (Q2 2014: € 325 million) or 12% (Q2 2014: 11%) of Group net sales. The double-digit increase in sales was mainly attributable to organic growth in the Healthcare business sector in this region, among others in Venezuela. Details on the translation of the Venezuelan bolivar to euros, the reporting currency, can be found in the section "Applicable foreign exchange mechanism in Venezuela" in the Notes to the interim Group accounts.

The Middle East and Africa region also posted double-digit sales growth in the second quarter of 2015, amounting to € 127 million (Q2 2014: € 114 million). Organic sales growth of 8.2% was mainly attributable to the Healthcare business sector. This region accounted for an unchanged 4% of Group sales.

GROUP →

NET SALES COMPONENTS BY REGION – Q2 2015

€ million / Change in %	Net sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Europe	1,008.2	–0.7	0.5	0.4	0.2
North America	646.0	–1.2	21.9	1.7	22.4
Asia-Pacific (APAC)	1,046.4	3.1	16.3	4.9	24.4
Latin America	391.6	12.5	7.9	–	20.4
Middle East and Africa (MEA)	127.2	8.2	3.1	0.1	11.4
Group	**3,219.5**	**2.2**	**10.2**	**1.9**	**14.4**

In the first half of 2015, net sales of the Group rose by 15.0% to € 6,261 million (Jan.-June 2014: € 5,443 million). Foreign exchange movements led to a sales increase of 9.6% or € 523 million. This was primarily attributable to the exchange rate development of the U.S. dollar, and also to the strength of the major Asian currencies. All business sectors contributed to organic sales growth, which amounted to 1.8% in the first half of 2015. With a growth rate of 4.8%, Life Science achieved the strongest organic increase within the Group. Owing to the first-time consolidation of AZ, Performance Materials delivered the highest absolute sales increase of all business sectors, generating net sales of € 1,260 million in the first half of 2015 (Jan.-June 2014: € 908 million). This increased the business sector's share of Group sales by 3 percentage points to 20%.

From a geographic perspective, double-digit growth rates were achieved in Asia-Pacific, North America and Latin America. For example, net sales in the Asia-Pacific and North America regions rose by 29.6% to € 2,037 million (Jan.-June 2014: € 1,573 million) and 20.7% to € 1,249 million (Jan.-June 2014: € 1,035 million), respectively. While the Middle East and Africa region posted sales growth of 5.1%, Europe sustained a slight decline in net sales to € 2,015 million (Jan.-June 2014: 2,032 million).

The consolidated income statement of the Group is as follows:

GROUP →

CONSOLIDATED INCOME STATEMENT[1]

€ million	Q2 – 2015	Q2 – 2014	Change in %	Jan.–June 2015	Jan.–June 2014	Change in %
Net sales	**3,219.5**	**2,815.3**	**14.4**	**6,260.6**	**5,443.5**	**15.0**
Cost of sales	–1,015.1	–841.5	20.6	–1,988.3	–1,590.0	25.0
(of which: amortization of intangible assets)	*(–41.8)*	*(–12.9)*	*(–)*	*(–82.9)*	*(–24.9)*	*(–)*
Gross profit	**2,204.3**	**1,973.8**	**11.7**	**4,272.3**	**3,853.4**	**10.9**
Marketing and selling expenses	–1,027.4	–912.1	12.6	–1,967.1	–1,767.6	11.3
(of which: amortization of intangible assets)	*(–189.4)*	*(–183.8)*	*(3.1)*	*(–367.5)*	*(–367.2)*	*(0.1)*
Administration expenses	–173.6	–151.0	15.0	–345.6	–283.3	22.0
Research and development costs	–455.8	–394.8	15.5	–897.0	–774.4	15.8
(of which: amortization of intangible assets)	*(–0.7)*	*(–0.7)*	*(–6.6)*	*(–1.3)*	*(–1.4)*	*(–6.9)*
Other operating expenses and income	–46.1	–74.8	–38.3	–81.2	–118.8	–31.6
Operating result (EBIT)	**501.4**	**441.0**	**13.7**	**981.3**	**909.3**	**7.9**
Financial result	–40.8	–50.2	–18.7	–141.4	–84.9	66.5
Profit before income tax	**460.5**	**390.8**	**17.9**	**839.9**	**824.4**	**1.9**
Income tax	–114.8	–84.8	35.3	–208.9	–191.0	9.4
Profit after tax	**345.7**	**306.0**	**13.0**	**631.1**	**633.4**	**–0.4**
Non-controlling interests	–2.3	–2.7	–11.6	–6.0	–4.9	21.7
Net income	**343.4**	**303.3**	**13.2**	**625.1**	**628.5**	**–0.5**

[1] The reporting structure has changed, see "Accounting Policies" in the Notes to the interim Group accounts.

In the second quarter of 2015, cost of sales rose to € 1,015 million (Q2 2014: € 842 million). Gross profit resulting from the difference between net sales and cost of sales grew by 11.7 % to € 2,204 million (Q2 2014: € 1,974 million). Gross margin, i.e. gross profit as a percentage of sales, declined in the second quarter of 2015 to 68.5 % (Q2 2014: 70.1 %).

Foreign exchange movements as well as general business developments led to an increase in both cost of sales and other functional costs (marketing and selling, administration expenses as well as research and development costs). Moreover, the increase in research and development costs was mainly attributable to the intensification of research and development in Healthcare. This business sector accounted for 78 % of Group research and development costs in the second quarter of 2015. The Group research spending ratio (research and development costs as a percentage of sales) rose slightly to 14.2 % (Q2 2014: 14.0 %).

In the second quarter of 2015, other operating expenses and income (net) included income in connection with the alliance entered into with Pfizer in 2014 to co-develop and co-commercialize active ingredients in immuno-oncology. This relates to the pro rata recognition of deferred income from the upfront payment as well as the value of the right to co-promote Xalkori®.

Expenses from additions to provisions within the scope of the Long-Term Incentive Plan (LTIP) of the Group were higher in the second quarter of 2015 than in the year-earlier quarter. The intrinsic value of Share Units (MSUs) was recognized under the respec-

tive functional costs in the income statement depending on the field of activity of the eligible participants.

As a result of the development of income and expenses, the operating result (EBIT) of the Group increased by 13.7 % to € 501 million.

The negative financial result improved by around € 9 million to € –41 million in the second quarter of 2015 (Q2 2014: € –50 million). Interest expenses rose in connection with the measures to finance the planned Sigma-Aldrich acquisition. Within the scope of the LTIP, a positive valuation effect resulted, which noticeably exceeded the increase in interest expenses.

Income tax expenses of € 115 million (Q2 2014: € 85 million) led to a tax ratio of 24.9 % (Q2 2014: 21.7 %).

Net income, i.e. profit after tax attributable to shareholders of Merck KGaA, Darmstadt, Germany, rose in comparison with the year-earlier period by 13.2 % in the second quarter of 2015 to € 343 million (Q2 2014: € 303 million), yielding earnings per share of € 0.79 (Q2 2014: € 0.70).

GROUP →

RECONCILIATION OF EBIT TO EBITDA PRE EXCEPTIONALS

€ million	Q2 – 2015	Q2 – 2014	Change in %	Jan.–June 2015	Jan.–June 2014	Change in %
Operating result (EBIT)	501.4	441.0	13.7	981.3	909.3	7.9
Depreciation/amortization/impairment losses/reversals of impairment losses	343.5	326.0	5.3	668.9	627.9	6.5
(of which: exceptionals)	*(1.8)*	*(2.6)*	*(–30.1)*	*(1.8)*	*(3.8)*	*(–52.9)*
EBITDA	844.8	767.0	10.1	1,650.3	1,537.2	7.4
Restructuring costs	20.7	20.5	1.2	39.9	35.6	12.3
Integration costs/IT costs	11.3	20.3	–44.1	21.6	34.7	–37.7
Gains/losses on the divestment of businesses	–5.8	–10.5	–45.0	–5.8	–6.4	–9.8
Acquisition-related exceptionals	25.4	45.7	–44.3	39.6	46.7	–15.2
Other exceptionals	2.8	2.7	2.5	6.8	5.0	34.7
EBITDA pre exceptionals	899.4	845.7	6.3	1,752.4	1,652.7	6.0

After adjusting for depreciation, amortization and exceptionals, EBITDA pre exceptionals, the key financial indicator used to steer operating business, rose by 6.3 % to € 899 million (Q2 2014: € 846 million), resulting in an EBITDA margin pre exceptionals relative to sales of 27.9 % (Q2 2014: 30.0 %). Earnings per share pre exceptionals (earnings per share adjusted by net of tax effect of exceptionals and amortization of purchased intangible assets) rose by 12.1 % to € 1.30 in the second quarter (Q2 2014: € 1.16).

In the first half of 2015, the Group reported EBITDA pre exceptionals of € 1,752 million (Jan.-June 2014: € 1,653 million), representing an improvement of around € 100 million or 6.0 % over the first half of 2014. The EBITDA margin pre exceptionals declined by around 2 percentage points to 28.0 % (Jan.-June 2014: 30.4 %). Earnings per share pre exceptionals climbed by 4.7 % to € 2.43 in the first half of 2015 (Jan.-June 2014: € 2.32).

Net assets and financial position

GROUP →

BALANCE SHEET STRUCTURE[1]

	June 30, 2015		Dec. 31, 2014		Change	
	€ million	in %	€ million	in %	€ million	in %
Non-current assets	**15,940.7**	**53.5**	**15,529.7**	**59.7**	**411.0**	**2.6**
of which:						
Intangible assets	11,741.0		11,395.5		345.5	
Property, plant and equipment	3,027.1		2,990.4		36.7	
Other non-current assets	1,172.6		1,143.8		28.8	
Current assets	**13,863.1**	**46.5**	**10,480.4**	**40.3**	**3,382.7**	**32.3**
of which:						
Inventories	1,793.5		1,659.7		133.8	
Trade accounts receivable	2,472.0		2,219.5		252.5	
Current financial assets	908.4		2,199.4		–1,291.0	
Other current assets	914.5		1,523.3		–608.8	
Cash and cash equivalents	7,774.8		2,878.5		4,896.3	
Total assets	**29,803.8**	**100.0**	**26,010.1**	**100.0**	**3,793.7**	**14.6**
Equity	**13,903.7**	**46.7**	**11,801.0**	**45.4**	**2,102.7**	**17.8**
Non-current liabilities	**10,584.0**	**35.5**	**7,607.7**	**29.2**	**2,976.3**	**39.1**
of which:						
Provisions for pensions and other post-employment benefits	1,628.9		1,820.1		–191.2	
Non-current provisions	698.1		626.1		72.0	
Non-current financial liabilities	6,878.1		3,561.1		3,317.0	
Other non-current liabilities	1,378.8		1,600.5		–221.7	
Current liabilities	**5,316.1**	**17.8**	**6,601.4**	**25.4**	**–1,285.3**	**–19.5**
of which:						
Current provisions	493.9		561.7		–67.8	
Current financial liabilities	1,237.6		2,075.9		–838.3	
Trade accounts payable	1,753.6		1,539.4		214.2	
Other current liabilities	1,831.1		2,424.4		–593.3	
Total liabilities and equity	**29,803.8**	**100.0**	**26,010.1**	**100.0**	3,793.7	**14.6**

[1] The structure of the balance sheet has changed, see "Accounting polices" in the Notes to the interim Group accounts.

The total assets of the Group amounted to € 29,804 million as of June 30, 2015. This represents an increase of € 3,794 million or 14.6 % over December 31, 2014 (€ 26,010 million). One of the main reasons for this sharp rise was the financing measures conducted for the planned acquisition of Sigma-Aldrich. The March 2015 placement of a bond with a volume of US$ 4.0 billion led to cash inflows of around € 3.7 billion as well as an increase in non-current liabilities. In June 2015, forward exchange contracts related to the currency hedging conducted for the expected purchase price of the planned acquisition of Sigma-Aldrich expired. These were renewed by follow-on transactions. This generated cash inflows of around € 1.0 billion.

The weaker euro led to positive foreign exchange movements, which increased total assets by around € 0.9 billion as of June 30, 2015.

The decline in current financial liabilities was primarily related to the repayment in March 2015 of a bond issued by Merck Financial Services GmbH, a subsidiary of Merck KGaA, Darmstadt, Germany, with a nominal volume of € 1,350 million. This led to a corresponding decrease in total assets.

The working capital of the Group amounted to € 2,527 million as of June 30, 2015 (Dec. 31, 2014: € 2,356 million). This 7.2 % increase was due both to the operating business as well as to positive currency translation effects.

As of June 30, 2015, liquid assets (cash and cash equivalents as well as current financial assets: € 8,683 million), exceeded financial liabilities (€ 8,116 million) of the Group by € 567 million. Consequently, in the first half of 2015 it was possible to completely eliminate the net financial debt of € 559 million that existed at the beginning of fiscal 2015.

Equity increased by € 2,103 million to € 13,904 million (Dec. 31, 2014: € 11,801 million). This strong increase of 17.8 % was mainly driven by profit after tax generated in the first half of 2015, the development of currency translation differences from the translation of assets in foreign currencies into euros, the reporting currency, as well as the fair value measurement of financial instruments. The Group equity ratio improved in the reporting period by 1.3 percentage points, amounting to 46.7 % as of June 30, 2015 (Dec. 31, 2014: 45.4 %).

In the second quarter of 2015, the free cash flow of the Group fell by –31.3 % to € 217 million (Q2 2014: € 317 million). The composition as well as the development of the relevant items are presented in the following table:

GROUP →
FREE CASH FLOW

€ million	Q2 – 2015	Q2 – 2014	Change in %	Jan.–June 2015	Jan.–June 2014	Change in %
Cash flow from operating activities according to the cash flow statement	326.4	429.3	–24.0	605.0	838.1	–27.8
Payments for investments in intangible assets	–16.3	–31.2	–47.8	–20.1	–39.0	–48.5
Payments from the disposal of intangible assets	–	–	–	16.2	–	–
Payments for investments in property, plant and equipment	–92.7	–84.7	9.4	–167.1	–142.1	17.6
Payments from the disposal of property, plant and equipment	–	3.2	–	1.8	4.0	–55.0
Free cash flow	**217.4**	**316.6**	**–31.3**	**435.8**	**661.0**	**–34.1**

Business free cash flow of the Group was € 830 million in the second quarter of 2015 (Q2 2014: € 632 million), representing an increase of € 198 million or 31.2 %. This improvement was driven by the rise in EBITDA pre exceptionals on the one hand and the favorable development of receivables and inventories on the other hand.

GROUP →

BUSINESS FREE CASH FLOW

€ million	Q2 – 2015	Q2 – 2014	Change in %	Jan.–June 2015	Jan.–June 2014	Change in %
EBITDA pre exceptionals	899.4	845.7	6.3	1,752.4	1,652.7	6.0
Investments in property, plant and equipment, software as well as advance payments for intangible assets	–98.9	–96.0	3.0	–177.3	–158.8	11.7
Changes in inventories according to the balance sheet	21.4	–107.2	–	–133.8	–144.6	–7.4
Changes in trade accounts receivable and receivables from royalties and licenses according to the balance sheet	7.7	–174.7	–	–251.2	–197.5	27.2
Adjustments first-time consolidation of AZ Electronic Materials	–	164.4	–	–	164.4	–
Business free cash flow	**829.6**	**632.2**	**31.2**	**1,190.1**	**1,316.3**	**–9.6**

In the first half of 2015, business free cash flow of the Group amounted to € 1,190 million, falling short of the high year-earlier level. While the increase in EBITDA pre exceptionals had a positive effect on cash inflows, it was more than offset by higher investments and the rise in receivables.

HEALTHCARE

HEALTHCARE →
KEY FIGURES

€ million	Q2 – 2015	Q2 – 2014	Change in %	Jan.–June 2015	Jan.–June 2014	Change in %
Net sales[1]	1,803.4	1,650.8	9.2	3,489.6	3,220.1	8.4
Operating result (EBIT)	267.2	276.6	–3.4	535.6	549.2	–2.5
Margin (% of net sales)[1]	14.8	16.8		15.3	17.1	
EBITDA	460.7	483.6	–4.7	910.1	950.7	–4.3
Margin (% of net sales)[1]	25.5	29.3		26.1	29.5	
EBITDA pre exceptionals	479.7	493.4	–2.8	940.7	972.7	–3.3
Margin (% of net sales)[1]	26.6	29.9		27.0	30.2	
Business free cash flow	427.2	373.5	14.4	682.7	869.7	–21.5

[1] The composition of net sales has changed, see "Segment Reporting" in the Notes to the interim Group accounts.

Development of net sales and results of operations

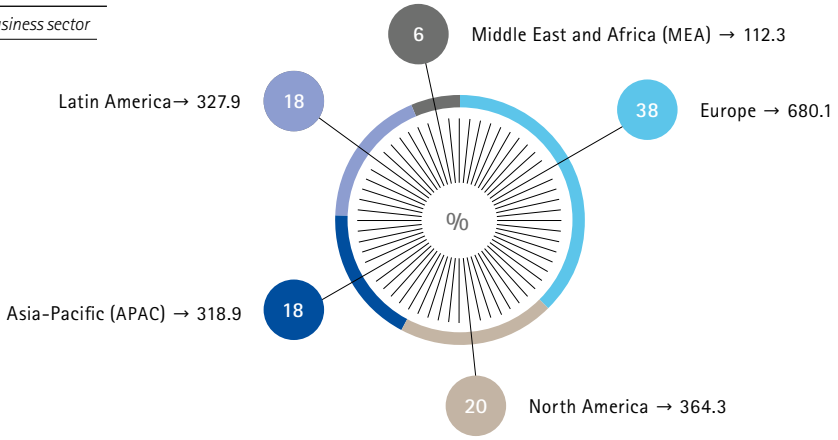
In the second quarter of 2015, the Healthcare business sector generated slight organic sales growth of 1.5%. Including positive exchange rate effects of 7.8%, net sales rose overall by 9.2% to € 1,803 million (Q2 2014: € 1,651 million). Nearly all the franchises contributed to the business sector's organic growth. In the second quarter of 2015, the organic increase in sales was driven in particular by products to treat diabetes (Glucophage®), thyroid disorders (Euthyrox®), and cardiovascular diseases (Concor®) as well as Neurobion®, a brand marketed by the Consumer Health business. They were thus able to more than offset the organic decline in Rebif® sales.

Commission income, which is also included in net sales, rose to € 22 million in the second quarter of 2015 (Q2 2014: € 20 million). The agreement reached with Bristol-Myers Squibb in 2013 on the co-promotion of Glucophage® in China had a positive effect on commission income.

HEALTHCARE →

NET SALES BY REGION – Q2 2015

€ million / % of net sales of the business sector



In Europe, the business sector's largest region accounting for 38 % of net sales (Q2 2014: 42 %), sales declined organically by –2.3 %. Consequently, net sales totaled € 680 million (Q2 2014: € 696 million). This was especially attributable to the difficult competitive environment for the multiple sclerosis treatment Rebif®.

In North America, the second-largest region in terms of sales, sales amounted to € 364 million (Q2 2014: € 318 million) due to an organic decline of –6.2 %, offset by positive currency effects of 20.6 %. Net sales of Rebif®, which amounted to € 265 million (Q2 2014: € 240 million), contributed significantly to sales in this region. In the second quarter of 2015, North America's contribution to the business sector's net sales was 20 % (Q2 2014: 19 %).

In the Asia-Pacific region, organic sales growth of 6.1 % was recorded in the second quarter of 2015. Including positive exchange rate effects of 13.8 %, sales thus rose to € 319 million (Q2 2014: € 266 million). Organic growth was driven in particular by the Fertility franchise and the Consumer Health business. This region's share of the business sector's net sales increased from 16 % in the year-earlier quarter to 18 % in the second quarter of 2015.

At 13.2 %, Latin America posted the highest organic growth within the Healthcare business sector. Including positive currency effects of 8.6 %, net sales amounted to € 328 million in the second quarter of 2015 (Q2 2014: € 269 million). The double-digit organic increase in sales was mainly attributable to the development of the CardioMetabolic Care and Endocrinology franchises, as well as the positive performance of the Consumer Health business. One of the significant drivers of growth in this region was Venezuela. Details on the translation of the Venezuelan bolivar to euros, the reporting currency, can be found in the section "Applicable foreign exchange mechanism in Venezuela" in the Notes to the interim Group accounts.

With net sales of € 112 million (Q2 2014: € 101 million), the Middle East and Africa region recorded a strong organic sales increase of 8.3 %. Positive currency effects increased sales by 3.0 %.

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NET SALES COMPONENTS BY REGION – Q2 2015

€ million / Change in %	Net sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Europe	680.1	–2.3	–	–	–2.3
North America	364.3	–6.2	20.6	–	14.4
Asia-Pacific (APAC)	318.9	6.1	13.8	–	19.9
Latin America	327.9	13.2	8.6	–	21.8
Middle East and Africa (MEA)	112.3	8.3	3.0	–	11.3
Healthcare	**1,803.4**	**1.5**	**7.8**	**–**	**9.2**

Sales and the organic growth rates of the key products developed as follows:

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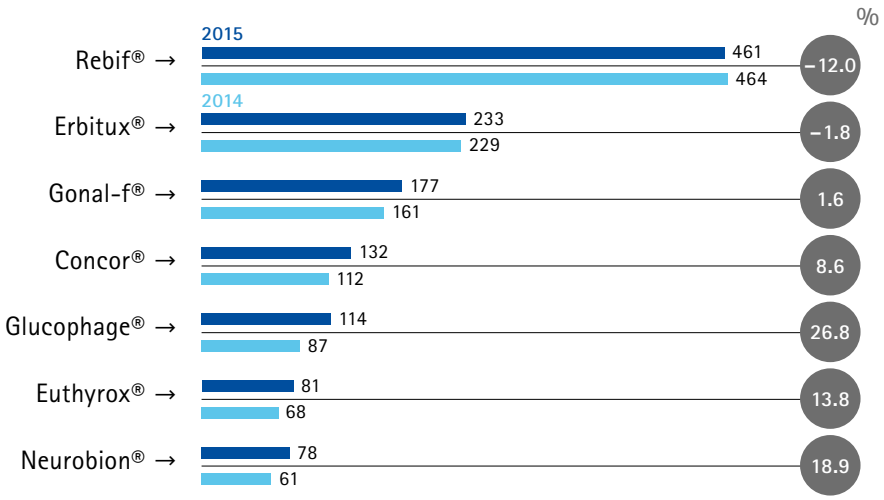
PRODUCT SALES AND ORGANIC GROWTH – Q2 2015

€ million / Organic growth in %



Rebif®, which is used to treat relapsing forms of multiple sclerosis, posted an organic sales decline of –12.0% in the second quarter of 2015 due to increasing competitive pressure from oral formulations. Amid positive currency effects of 11.3%, Rebif® sales amounted to € 461 million (Q2 2014: € 464 million). The North America region, which generated 58% of Rebif® sales (Q2 2014: 52%) and is the largest market for this product, achieved a double-digit sales increase to € 265 million (Q2 2014: € 240 million). Here, the strong U.S. dollar (currency effect +21.0%) in particular had a positive impact on net sales. Sales declined organically by –9.6% compared with the year-earlier quarter due to the difficult market environment. In Europe, which accounts for 32% of sales (Q2 2014: 38%) and is the second-largest region for the product, sales of Rebif® declined organically by –15.1% to € 149 million (Q2 2014: € 175 million) due to strong competitive pressure and the related weak demand. Together, the remaining regions Latin America, Middle East and Africa, and Asia-Pacific continued to account for a 10% share of sales.

Including positive exchange rate effects of 3.5%, which were primarily attributable to various Asian currencies, for example the Chinese renminbi and the Japanese yen, the oncology drug Erbitux® generated sales of € 233 million (Q2 2014: € 229 million). With the exception of Latin America, organic sales declines were registered in all other regions in which the Group holds the marketing rights. In Europe, which accounted for 54% (Q2 2014: 57%) of Erbitux® sales and is thus the largest region for this product, sales declined organically by –1.8%. Including negative currency effects (–0.6%), sales amounted to € 126 million (Q2 2014: € 130 million). Stronger

demand for Erbitux® in the United Kingdom and eastern Europe was more than offset by stronger competitive pressure and mandatory price cuts. The Latin America region generated organic growth of 2.6%; here the business sector recorded sales of € 32 million for the oncology drug (Q2 2014: € 29 million). This region's contribution to total Erbitux® sales thus increased to 14% (Q2 2014: 13%).

In the two other regions Asia-Pacific as well as Middle East and Africa, which together accounted for 32% of product sales, Erbitux® sales increased to € 75 million (Q2 2014: € 71 million). Here, positive currency effects more than offset the organic sales decline, which was attributable, among other things, to inventory reductions in several growth markets.

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PRODUCT SALES AND ORGANIC GROWTH OF REBIF® AND ERBITUX® BY REGION – Q2 2015

		Total	Europe	North America	Asia-Pacific (APAC)	Latin America	Middle East and Africa (MEA)
Rebif®	€ million	460.8	149.1	265.2	4.0	28.6	13.9
	Organic growth in %	–12.0	–15.1	–9.6	–10.3	1.8	–32.4
	% of sales	100	32	58	1	6	3
Erbitux®	€ million	232.8	126.4	–	62.8	31.8	11.8
	Organic growth in %	–1.8	–1.8	–	–2.5	2.6	–8.5
	% of sales	100	54	–	27	14	5

In the second quarter of 2015, the Healthcare business sector generated slight organic sales growth of 1.6% with the fertility medicine Gonal-f®. Including positive currency effects, sales rose to € 177 million (Q2 2014: € 161 million). Net sales of this medicine increased mainly in the North America and Asia-Pacific regions.

Sales by the Endocrinology franchise, which mainly consists of products to treat metabolic and growth disorders, amounted to € 119 million, considerably exceeding the year-earlier figure (Q2 2014: € 100 million). Apart from positive currency effects of 10.7%, this was attributable to organic growth of 8.3%. Sales of the growth hormone Saizen®, the top-selling product of this franchise, saw an organic increase of 2.8% as well as positive exchange rate effects of 7.6%. Consequently, sales of € 67 million were generated (Q2 2014: € 61 million).

The General Medicine franchise (including CardioMetabolic Care), which commercializes products to treat cardiovascular diseases and diabetes, among others, generated very strong organic sales growth of 7.5%. Including positive foreign exchange movements, sales amounted to € 466 million (Q2 2014: € 410 million).

In particular, organic sales growth of the beta-blocker Concor® developed well, with sales increasing to € 132 million in the second quarter of 2015 (Q2 2014: € 112 million). Organic sales growth amounted to 8.6%. Following delivery difficulties in the year-earlier quarter, sales of Glucophage®, which is used for the treatment of diabetes, rose organically by 26.8%. Including positive currency effects, net sales climbed to € 114 million (Q2 2014: € 87 million). Organic sales growth was mainly achieved in Latin America as well as the Middle East and Africa region.

In the second quarter of 2015, the Consumer Health business achieved a good organic increase of 16.0% with sales of over-the-counter pharmaceuticals. Including a positive currency effect of 7.2%, net sales amounted to € 228 million (Q2 2014: € 185 million).

Sales growth was primarily driven by Latin America, which accounted for a 41% share of Consumer Health sales. Organic sales growth was generated mainly by the strategic brands Neurobion® and Dolo-Neurobion®.

During the first half of 2015, net sales of the Healthcare business sector increased by 8.4% to € 3,490 million (Jan.-June 2014: € 3,220 million). Reported sales are based on organic growth of 0.9% as well as positive currency effects of 7.5%, which mainly stemmed from the U.S. dollar, Latin American currencies and the Chinese renminbi. With Rebif®, the business sector generated sales of € 891 million in the first half of 2015 (Jan.-June 2014: € 924

million). Despite positive foreign currency effects of 10.4%, Rebif® sales decreased overall by –3.6% owing to an organic sales decline of –14.0%. At € 438 million, sales of Erbitux®, the Biopharmaceuticals business' second leading product, remained at the previous year's level (Jan.-June 2014: € 438 million). The organic sales decline of –3.8% was fully offset by positive currency effects. In Europe, the top-selling region for Erbitux®, sales slipped organically by –2.9% owing to mandatory price cuts and increasing competition, leading to first-half sales of € 246 million (Jan.-June 2014: € 252 million).

In the first half of 2015, sales of the Consumer Health business soared by 21.8% to € 444 million (Jan.-June 2014: € 365 million). This was attributable to organic sales growth of 14.5% and positive currency effects of 7.2%. Organic sales growth was mainly generated in Latin America. Here, the growth rate was 21.3% and was especially supported by demand for the strategic brands Neurobion®, Dolo-Neurobion® as well as local brands.

The business sector's results of operations developed as follows:

HEALTHCARE →

RESULTS OF OPERATIONS[1]

€ million	Q2 – 2015	Q2 – 2014	Change in %	Jan.–June 2015	Jan.–June 2014	Change in %
Net sales	**1,803.4**	**1,650.8**	**9.2**	**3,489.6**	**3,220.1**	**8.4**
Cost of sales	–402.6	–308.9	30.3	–774.3	–622.9	24.3
(of which: amortization of intangible assets)	*(–0.2)*	*(–)*	*(–)*	*(–0.5)*	*(–)*	*(–)*
Gross profit	**1,400.8**	**1,341.9**	**4.4**	**2,715.3**	**2,597.2**	**4.5**
Marketing and selling expenses	–730.0	–660.1	10.6	–1,389.9	–1,268.9	9.5
(of which: amortization of intangible assets)	*(–144.5)*	*(–143.6)*	*(0.6)*	*(–278.1)*	*(–286.9)*	*(–3.1)*
Administration costs	–69.1	–62.6	10.4	–135.4	–121.1	11.8
Research and development costs	–357.5	–316.5	13.0	–705.8	–619.6	13.9
(of which: amortization of intangible assets)	*(–0.4)*	*(–)*	*(–)*	*(–0.7)*	*(–)*	*(–)*
Other operating expenses and income	23.0	–26.0	–	51.5	–38.5	–
Operating result (EBIT)	**267.2**	**276.6**	**–3.4**	**535.6**	**549.2**	**–2.5**
Depreciation/amortization/impairment losses/reversals of impairment losses	193.5	207.0	–6.5	374.5	401.5	–6.7
(of which: exceptionals)	*(1.8)*	*(2.6)*	*(–30.1)*	*(1.8)*	*(3.8)*	*(–52.9)*
EBITDA	**460.7**	**483.6**	**–4.7**	**910.1**	**950.7**	**–4.3**
Restructuring costs	18.9	9.2	104.7	30.3	20.9	45.2
Integration costs/IT costs	0.2	0.6	–70.3	0.3	1.1	–72.1
Gains/losses on the divestment of businesses	–	–	–	–	–	–
Acquisition-related exceptionals	–	–	–	–	–	–
Other exceptionals	–	–	–	–	–	–
EBITDA pre exceptionals	**479.7**	**493.4**	**–2.8**	**940.7**	**972.7**	**–3.3**

[1]The reporting structure has changed, see "Segment Reporting" in the Notes to the interim Group accounts.

Taking into account the development of net sales as well as cost of sales, gross profit of the Healthcare business sector grew by € 59 million or 4.4% to € 1,401 million (Q2 2014: € 1,342 million), leading to a gross margin of 77.7% (Q2 2014: 81.3%). Positive exchange rate effects on net sales were largely responsible for this increase in gross profit. However, this was weighed down by the rise in cost of sales, which was attributable among other things to higher sales and negative currency effects.

Continued investments in growth markets, the intensification of research and development activities, especially in immuno-oncology, as well as negative foreign exchange effects were responsible for higher marketing and selling as well as R&D

expenses in the second quarter. In the previous year, research and development costs were burdened by one-time effects, among other things.

At 19.8%, the business sector's research spending ratio in the second quarter was thus at the previous year's level (Q2 2014: 19.2%).

The positive development of other operating expenses and income (net) in the second quarter of 2015 was due to income in connection with the alliance entered into with Pfizer in 2014 to co-develop and co-commercialize active ingredients in immuno-oncology. Lower asset impairments, adjustments of provisions for litigation as well as lower allowances for receivables also had a positive impact.

After adjusting for depreciation, amortization and exceptionals, EBITDA pre exceptionals, the key financial indicator used to steer operating business, rose to € 480 million (Q2 2014: € 493 million). The EBITDA margin pre exceptionals declined to 26.6% (Q2 2014: 29.9%).

In the first half of 2015, the Healthcare business sector reported EBITDA pre exceptionals of € 941 million (Jan.-June 2014: € 973 million). Here, positive foreign exchange developments could not completely compensate for the negative impact on earnings from investments in growth markets as well as in research and development.

The resulting EBITDA margin pre exceptionals decreased to 27.0% (Jan.-June 2014: 30.2%).

Development of business free cash flow

Business free cash flow of the Healthcare business sector climbed in the second quarter of 2015 by € 54 million to € 427 million (Q2 2014: € 374 million). This was primarily due to the development of receivables. Whereas receivables increased by € 78 million in the year-earlier quarter, this balance sheet item rose by only € 28 million in the second quarter of 2015. Furthermore, inventory reductions in the second quarter of 2015 led to higher cash inflows.

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BUSINESS FREE CASH FLOW

€ million	Q2 – 2015	Q2 – 2014	Change in %	Jan.–June 2015	Jan.–June 2014	Change in %
EBITDA pre exceptionals	479.7	493.4	–2.8	940.7	972.7	–3.3
Investments in property, plant and equipment, software as well as advance payments for intangible assets	–41.0	–43.0	–4.5	–70.3	–70.8	–0.7
Changes in inventories	16.6	0.8	–	–29.4	–16.2	81.3
Changes in trade accounts receivable as well as receivables from royalties and licenses	–28.2	–77.7	–63.8	–158.3	–16.1	–
Business free cash flow	**427.2**	**373.5**	**14.4**	**682.7**	**869.7**	**–21.5**

In the first half of 2015, business free cash flow declined by –21.5% or € 187 million to € 683 million € (Jan.-June 2014: € 870 million). This development was primarily attributable to the high amount of capital tied up in receivables in the first quarter of 2015.

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KEY FIGURES

€ million	Q2 – 2015	Q2 – 2014	Change in %	Jan.–June 2015	Jan.–June 2014	Change in %
Net sales[1]	772.8	658.7	17.3	1,510.8	1,315.3	14.9
Operating result (EBIT)	86.8	75.2	15.5	169.6	162.2	4.5
Margin (% of net sales)[1]	11.2	11.4		11.2	12.3	
EBITDA	169.8	150.3	13.0	333.7	314.0	6.3
Margin (% of net sales)[1]	22.0	22.8		22.1	23.9	
EBITDA pre exceptionals	199.8	165.7	20.6	383.9	335.4	14.5
Margin (% of net sales)[1]	25.9	25.2		25.4	25.5	
Business free cash flow	201.6	125.5	60.7	224.5	179.9	24.8

[1] The composition of net sales has changed, see "Segment Reporting" in the Notes to the interim Group accounts.

Development of sales and results of operations

In the second quarter of 2015, Life Science posted strong organic sales growth of 6.2%, which was mainly driven by the positive business development of the Process Solutions business area as well as the good performance of the Lab Water, Biomonitoring and OEM Diagnostics business fields within the Lab Solutions business area.

In addition, the increase in sales was boosted by very strong positive currency effects of 11.2%. As a result, Life Science net sales increased overall by 17.3% to € 773 million (Q2 2014: € 659 million) – a record quarter for the business sector.

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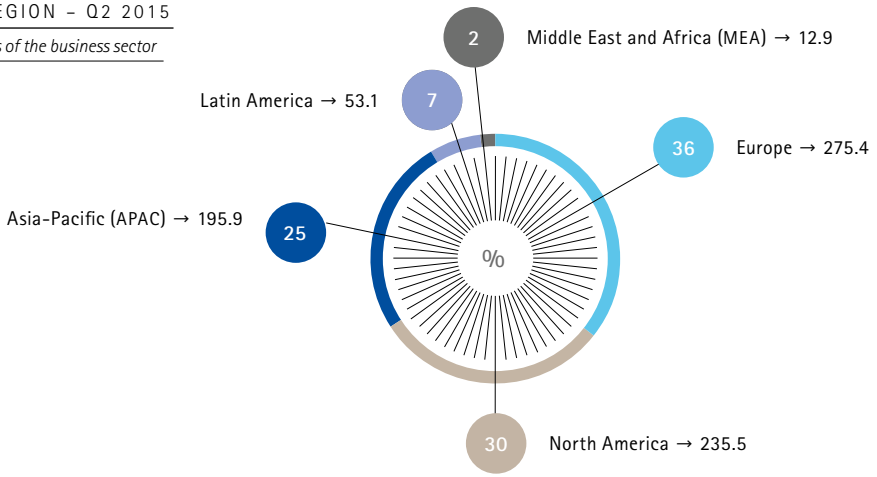
NET SALES BY REGION – Q2 2015
€ million / % of net sales of the business sector



From a geographic perspective, all regions contributed positively to organic sales growth, reflecting healthy demand in the market.

In Europe, the business sector's largest market accounting for 36% of net sales (Q2 2014: 39%), sales increased organically by 3.7%, mainly driven by good demand from global key accounts for Process Solutions products.

In North America, Life Science reported very strong organic sales growth of 9.9% fueled by sales of chromatographic media to key accounts and viral clearance products in Process Solutions, as well as good demand in Lab Solutions. However, the Bioscience business area continued to face challenges in the region. Lastly, the stronger U.S. dollar also increased sales further. Overall, sales in North America increased to € 235 million (Q2 2014: € 175 million), contributing 30% (Q2 2014: 27%) to Life Science's net sales in the second quarter of 2015.

In Asia-Pacific, sales grew organically by 5.3%. Strong sales performance in China, Singapore and South Korea was somewhat dampened by weaker demand in other Asian countries, such as Japan. The appreciation of foreign currencies against the euro had a positive effect on sales. Overall, sales in Asia-Pacific increased to € 196 million, contributing to 25% (Q2 2014: 25%) to Life Science's net sales in the second quarter.

In Latin America, Life Science sales rose organically by 7.8%, mainly driven by Process Solutions, Advanced Analytics and Biomonitoring products. This strong growth was reinforced by currency tailwinds of 5.3%, which translated into net sales for the region of € 53 million (Q2 2014: € 47 million).

The Middle East and Africa region reported very strong organic sales growth of 9.3% and favorable foreign currency effects of 3.4%. Net sales in the region were € 13 million.

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NET SALES COMPONENTS BY REGION – Q2 2015

€ million / Change in %	Net sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Europe	275.4	3.7	2.0	–	5.7
North America	235.5	9.9	24.5	–0.1	34.3
Asia-Pacific (APAC)	195.9	5.3	14.0	–	19.3
Latin America	53.1	7.8	5.3	–	13.0
Middle East and Africa (MEA)	12.9	9.3	3.4	–	12.7
Life Science	**772.8**	**6.2**	**11.2**	**–**	**17.3**

During the second quarter, the increase in organic sales was driven by the growth of Process Solutions and Lab Solutions, whereas Bioscience sales decreased organically.

The Process Solutions business area, which markets products and services for the pharmaceutical production value chain, among other things, generated organic sales growth of 11.0%, which was the highest rate within the Life Science business sector. Including positive exchange rate effects of 12.3% and divestment-related declines, sales amounted to € 357 million (Q2 2014: € 290 million). The share of Life Science sales generated by Process Solutions thus rose to 46% (Q2 2014: 44%). This increase was driven by higher demand from the pharmaceutical industry for products used in biopharmaceutical manufacturing, especially filtration systems and single-use solutions.

Lab Solutions, which accounted for a share of 39% (Q2 2014: 41%) of Life Science sales, generated moderate organic sales growth of 4.1% with its broad range of products for researchers and scientific laboratories. Taking currency tailwinds of 9.4% into account, sales amounted to € 303 million (Q2 2014: € 267 million). The sales performance of Lab Solutions was primarily driven by the Biomonitoring, Lab Water and OEM Diagnostics business fields.

The Bioscience business area, which primarily markets products and services for academic and pharmaceutical research

laboratories, recorded a decline in organic sales of –2.2%. Including positive exchange rate effects of 12.9%, sales amounted to € 113 million (Q2 2014: € 102 million). The decline was attributable to soft demand in the Research Content & Reagents business field. Bioscience accounted for a 15% share of Life Science net sales (Q2 2014: 15%).

In the first half of 2015, Life Science posted organic growth of 4.8% driven by Process Solutions and key franchises in Lab Solutions such as Biomonitoring, Lab Water and OEM Diagnostics. Foreign currency tailwinds also increased sales (10.5%), resulting in reported sales growth of 14.9% to € 1,511 million (Jan.-June 2014: € 1,315 million).

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NET SALES COMPONENTS BY BUSINESS AREA – Q2 2015

€ million / Change in %	Net sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Bioscience	113.1	–2.2	12.9	–	10.6
Lab Solutions	302.7	4.1	9.4	–	13.4
Process Solutions	357.0	11.0	12.3	–0.1	23.3

The results of operations developed as follows:

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RESULTS OF OPERATIONS[1]

€ million	Q2 – 2015	Q2 – 2014	Change in %	Jan.–June 2015	Jan.–June 2014	Change in %
Net sales	**772.8**	**658.7**	**17.3**	**1,510.8**	**1,315.3**	**14.9**
Cost of sales	–325.7	–285.9	13.9	–646.9	–562.4	15.0
(of which: amortization of intangible assets)	*(–12.5)*	*(–11.8)*	*(5.4)*	*(–24.8)*	*(–23.6)*	*(4.9)*
Gross profit	**447.1**	**372.8**	**19.9**	**863.8**	**752.8**	**14.7**
Marketing and selling expenses	–243.6	–205.0	18.9	–477.0	–415.1	14.9
(of which: amortization of intangible assets)	*(–41.5)*	*(–37.4)*	*(10.8)*	*(–82.3)*	*(–74.8)*	*(10.0)*
Administration costs	–28.3	–25.8	9.6	–58.9	–54.4	8.2
Research and development costs	–48.6	–39.3	23.6	–93.6	–77.7	20.5
(of which: amortization of intangible assets)	*(–0.1)*	*(–)*	*(–)*	*(–0.3)*	*(–)*	*(–)*
Other operating expenses and income	–39.8	–27.5	44.8	–64.8	–43.4	49.1
Operating result (EBIT)	**86.8**	**75.2**	**15.5**	**169.6**	**162.2**	**4.5**
Depreciation/amortization/impairment losses/reversals of impairment losses	83.0	75.1	10.5	164.2	151.8	8.1
(of which: exceptionals)	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*
EBITDA	**169.8**	**150.3**	**13.0**	**333.7**	**314.0**	**6.3**
Restructuring costs	1.4	6.7	–79.7	3.8	5.4	–29.5
Integration costs/IT costs	3.9	8.7	–55.1	7.7	16.2	–52.6
Gains/losses on the divestment of businesses	–	–	–	–	–0.2	–
Acquisition-related exceptionals	24.7	–	–	38.7	–	–
Other exceptionals	0.1	–	–	–	–	–
EBITDA pre exceptionals	**199.8**	**165.7**	**20.6**	**383.9**	**335.4**	**14.5**

[1]The reporting structure has changed, see "Segment Reporting" in the Notes to the interim Group accounts.

Owing to positive exchange rate effects as well as a favorable product mix, slight price increases and higher demand, gross profit rose in the second quarter of 2015 by 19.9%. The increase in marketing and selling expenses was mainly attributable to investments in the field force, one-time costs and unfavorable currency effects. Higher research and development costs were due to ongoing innovations, such as the launch of the new Mobius® 2000 liter single-use bioreactor in June, as well as the negative foreign exchange impact.

In comparison with the year-earlier quarter, the operating result (EBIT) of Life Science rose by 15.5% to € 87 million. After eliminating depreciation and amortization, and adjusted for exceptionals, EBITDA pre exceptionals, the most important performance indicator, climbed 20.6% to € 200 million. Consequently, the EBITDA margin pre exceptionals rose in the second quarter of 2015 to 25.9% (Q2 2014: 25.2%).

In the first half of 2015, EBITDA pre exceptionals of Life Science rose by € 49 million to € 384 million, reflecting the execution of Life Science strategic initiatives, attractive market conditions and the good development of operating business.

Development of business free cash flow

In the second quarter of 2015, the business free cash flow of the Life Science business sector increased by 60.7% to € 202 million. This strong outcome was driven by EBITDA pre exceptionals, as well as positive cash flow from the reduction of receivables.

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BUSINESS FREE CASH FLOW

€ million	Q2 – 2015	Q2 – 2014	Change in %	Jan.–June 2015	Jan.–June 2014	Change in %
EBITDA pre exceptionals	199.8	165.7	20.6	383.9	335.4	14.5
Investments in property, plant and equipment, software as well as advance payments for intangible assets	–27.1	–27.7	–2.0	–48.6	–47.5	2.2
Changes in inventories	3.7	–11.3	–132.8	–50.6	–38.9	30.2
Changes in trade accounts receivable as well as receivables from royalties and licenses	25.3	–1.2	–	–60.3	–69.1	–12.7
Business free cash flow	**201.6**	**125.5**	**60.7**	**224.5**	**179.9**	**24.8**

In the first half of 2015, the business sector's business free cash flow rose by € 45 million, primarily due to double-digit growth of EBITDA pre exceptionals. Reported business free cash flow was € 225 million for the half-year period.

PERFORMANCE MATERIALS

PERFORMANCE MATERIALS →
KEY FIGURES

€ million	Q2 – 2015	Q2 – 2014	Change in %	Jan.–June 2015	Jan.–June 2014	Change in %
Net sales[1]	643.3	505.8	27.2	1,260.3	908.1	38.8
Operating result (EBIT)	237.8	137.5	72.9	451.8	289.2	56.2
Margin (% of net sales)[1]	37.0	27.2		35.8	31.8	
EBITDA	298.7	178.1	67.8	571.6	356.9	60.2
Margin (% of net sales)[1]	46.4	35.2		45.4	39.3	
EBITDA pre exceptionals	295.4	226.3	30.5	572.0	412.8	38.6
Margin (% of net sales)[1]	45.9	44.7		45.4	45.5	
Business free cash flow	289.3	179.4	61.2	451.8	344.9	31.0

[1] The composition of net sales has changed, see "Segment Reporting" in the Notes to the interim Group accounts.

Development of net sales and results of operations

In the second quarter of 2015, the Performance Materials business sector delivered double-digit sales growth of 27.2% to € 643 million (Q2 2014: € 506 million). This was mainly attributable to significant exchange rate effects (+16.8%), which primarily stemmed from the strong U.S. dollar. While organic sales performance was flat (–0.4%), net sales grew by 10.7% as a result of the first-time consolidation of AZ Electronic Materials as of May 2, 2014. The integration of the former AZ businesses into Performance Materials has created new, more efficient business units, which are explained in more detail in the following.

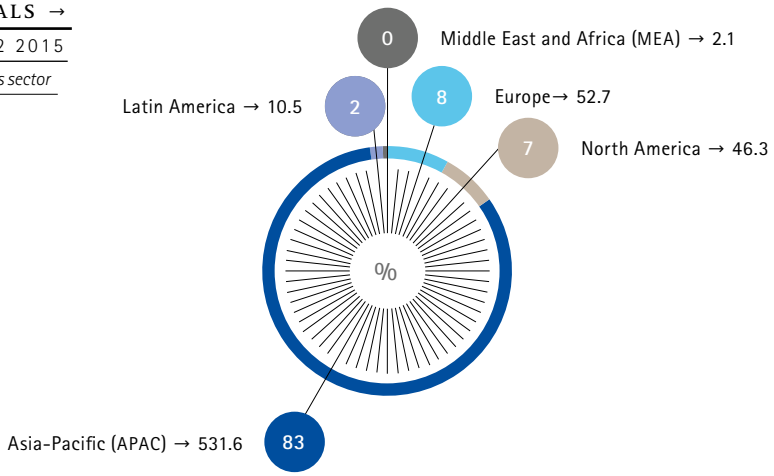
The newly formed Display Materials business unit, consisting of the successful liquid crystals business of the Group and the complementary AZ display materials, represents more than 60% of the net sales of Performance Materials. The business unit posted a slight organic sales decline, but continued to defend its market leadership position. In the second quarter of 2015, growth in sales of innovative LC mixtures (PS-VA, IPS and UB-FFS) could not compensate for the sharp decrease in sales of the oldest active-matrix liquid crystal (LC) technology TN-TFT. These innovation-driven product groups delivered further volume increases which, however, were partially eroded by the price declines customary in this industry.

In the second quarter of 2015, the Pigments & Functional Materials business unit saw a moderate organic sales decline. The negative organic development was mainly due to functional materials and Iriodin® pigments for plastics and printing applications.

The Integrated Circuit Materials business unit includes the former AZ business with materials used to manufacture integrated circuits. The increase in sales of this business unit was still partly acquisition-related in the second quarter of 2015. Moderate organic growth was achieved, thus meeting the Group's expectations. This was mainly driven by the business with dielectric materials for chip manufacture.

The Advanced Technologies business unit also contributed substantially to the business sector's sales. This was due to the continued dynamic development of the OLED materials business and higher demand for LED phosphors.

PERFORMANCE MATERIALS →
NET SALES BY REGION – Q2 2015
€ million / % of net sales of the business sector



Accounting for 83% (Q2 2014: 81%), the Asia-Pacific region again generated the vast majority of the business sector's net sales. This is attributable to the concentration of customers for display and integrated circuit materials in Asia. Organically, the business sector's sales remained stable (+0.3%) in this region. The declines in the TN-TFT liquid crystals materials business were offset by growth in the Advanced Technologies business unit. In the second quarter of 2015, this led to net sales of € 532 million (Q2 2014: € 411 million), underscoring the strength of the Performance Materials business sector in the strategically important Asia-Pacific region.

In Europe, Performance Materials generated sales of € 53 million (Q2 2014: € 49 million). The rise in sales was attributable to the first-time consolidation of AZ as of May 2, 2014. In the second quarter of 2015, organic sales declined slightly due to the weaker demand from the cosmetics industry.

In North America, due to acquisition and currency effects, net sales climbed to € 46 million (Q2 2014: € 34 million). Organically, sales dropped sharply owing to temporarily weaker sales volumes of Xirallic® pigments as well as lower demand for sunscreen ingredients within the Pigments & Functional Materials business unit.

Owing to their low proportion of sales, the two regions Latin America and Middle East and Africa only played a subordinate role. Double-digit sales growth was generated in Latin America, which resulted from strong increases achieved by the Pigments & Functional Materials business unit in the major economies of Brazil and Mexico.

PERFORMANCE MATERIALS →
NET SALES COMPONENTS BY REGION – Q2 2015

€ million / Change in %	Net sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Europe	52.7	–1.6	0.6	7.7	6.7
North America	46.3	–11.3	20.5	26.4	35.5
Asia-Pacific (APAC)	531.6	0.3	18.9	10.0	29.3
Latin America	10.5	16.3	–0.9	0.1	15.5
Middle East and Africa (MEA)	2.1	–1.9	4.3	9.0	11.4
Performance Materials	**643.3**	**–0.4**	**16.8**	**10.7**	**27.2**

In the first half of 2015, the business sector's net sales soared by 38.8% to € 1,260 million. This sales growth was again driven by acquisition-related increases (+22.4%) and positive currency effects (+15.9%). Organic sales growth was stable at 0.5%.

Sales volumes of liquid crystals developed well in the first half of 2015. However, volume growth was completely eroded by the price declines customary in this industry, which hindered growth in the Display Materials business unit. In the first half of 2015, the

Pigments & Functional Materials business unit reported a slight organic decline in sales due to weaker sales volumes of functional materials. The sales contribution of the Integrated Circuit Materials business unit was largely acquisition-related In the first half of 2015. Sales showed moderate organic growth driven by dielectric materials for chip manufacture. The Advanced Technologies business unit achieved double-digit growth due to rising demand for OLED and LED materials.

The results of operations developed as follows:

PERFORMANCE MATERIALS →
RESULTS OF OPERATIONS[1]

€ million	Q2 – 2015	Q2 – 2014	Change in %	Jan.–June 2015	Jan.–June 2014	Change in %
Net sales	**643.3**	**505.8**	**27.2**	**1,260.3**	**908.1**	**38.8**
Cost of sales	–286.9	–246.1	16.6	–567.2	–403.0	40.7
(of which: amortization of intangible assets)	*(–29.1)*	*(–1.1)*	*(–)*	*(–57.7)*	*(–1.3)*	*(–)*
Gross profit	**356.4**	**259.7**	**37.2**	**693.1**	**505.0**	**37.2**
Marketing and selling expenses	–53.3	–48.7	9.5	–99.4	–84.8	17.2
(of which: amortization of intangible assets)	*(–3.4)*	*(–2.7)*	*(25.7)*	*(–7.0)*	*(–5.5)*	*(28.2)*
Administration costs	–14.0	–14.7	–4.7	–32.0	–22.5	42.2
Research and development costs	–48.7	–38.6	26.1	–95.3	–76.3	24.8
(of which: amortization of intangible assets)	*(–0.2)*	*(–0.7)*	*(–76.3)*	*(–0.3)*	*(–1.4)*	*(–76.6)*
Other operating expenses and income	–2.5	–20.1	–87.6	–14.7	–32.3	–54.4
Operating result (EBIT)	**237.8**	**137.5**	**72.9**	**451.8**	**289.2**	**56.2**
Depreciation/amortization/impairment losses/reversals of impairment losses	60.9	40.6	50.3	119.8	67.7	76.9
(of which: exceptionals)	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*
EBITDA	**298.7**	**178.1**	**67.8**	**571.6**	**356.9**	**60.2**
Restructuring costs	–0.2	1.5	–	0.9	3.3	–72.2
Integration costs/IT costs	2.0	1.1	84.3	4.4	1.5	–
Gains/losses on the divestment of businesses	–5.8	–	–	–5.8	4.4	–
Acquisition-related exceptionals	0.7	45.7	–98.4	0.9	46.7	–98.1
Other exceptionals	–	–	–	–	–	–
EBITDA pre exceptionals	**295.4**	**226.3**	**30.5**	**572.0**	**412.8**	**38.6**

[1]The reporting structure has changed, see "Segment Reporting" in the Notes to the interim Group accounts.

The development of results of operations was significantly influenced by the consolidation of AZ. In the second quarter of 2015, cost of sales was very negatively impacted by amortization of intangible assets. In the year-earlier period, the AZ inventories from the acquisition were stepped up to fair values and were recognized as an expense in cost of sales. In the second quarter of 2015, these slighter acquisition-related effects as well as currency tailwinds increased gross margin to 55.4% (Q2 2014: 51.3%).

In the second quarter of 2015, the operating result (EBIT) rose by € 100 million to € 238 million (Q2 2014: € 137 million) due to the positive sales development and higher gross margin. Therefore, both good business performance and favorable currency effects increased EBITDA pre exceptionals by 30.5% to € 295 million (Q2 2014: € 226 million). In the second quarter of 2015, the EBITDA margin pre exceptionals increased slightly to 45.9% (Q2 2014: 44.7%).

In the first half of 2015, EBITDA pre exceptionals rose in line with sales growth by 38.6% to € 572 million. Expressed as a percentage of sales, this resulted in an EBITDA margin pre exceptionals of 45.4% (Jan.-June 2014: 45.5%).

Development of business free cash flow

In the second quarter of 2015, the Performance Materials business sector generated business free cash flow of € 289 million, which represents a significant increase compared with the previous year (Q2 2014: € 179 million). This was mainly attributable to the strong increase in EBITDA pre exceptionals. In the second quarter of 2015, cash outflows for investments were partly offset by lower receivables. By contrast, in the year-earlier quarter, business free cash flow was impacted by the increase in inventories and receivables.

PERFORMANCE MATERIALS →

BUSINESS FREE CASH FLOW

€ million	Q2 – 2015	Q2 – 2014	Change in %	Jan.–June 2015	Jan.–June 2014	Change in %
EBITDA pre exceptionals	295.4	226.3	30.5	572.0	412.8	38.6
Investments in property, plant and equipment, software as well as advance payments for intangible assets	–17.1	–18.9	–9.7	–34.0	–30.8	10.2
Changes in inventories	1.1	–96.6	–101.1	–53.9	–89.6	–39.8
Changes in trade accounts receivable and receivables from royalties and licenses	9.9	–95.8	–110.3	–32.4	–111.8	–71.0
Adjustments first-time consolidation of AZ Electronic Materials	–	164.4	–	–	164.4	–
Business free cash flow	**289.3**	**179.4**	**61.2**	**451.8**	**344.9**	**31.0**

In the first half of 2015, business free cash flow amounted to € 452 million (Jan.-June 2014: € 345 million), equivalent to an increase of € 107 million.

CORPORATE AND OTHER

Corporate and Other comprises Group administration expenses for Group functions that cannot be directly allocated to the business sectors, such as Finance, Procurement, Legal, Communications, and Human Resources. Corporate costs additionally encompass expenses for central, non-allocated IT functions, including expenses related to the expansion and harmonization of IT systems within the Group. Accordingly, Corporate and Other has no sales to report. Gains or losses on operational currency hedging are also disclosed under Corporate and Other.

CORPORATE AND OTHER →

KEY FIGURES

€ million	Q2 – 2015	Q2 – 2014	Change in %	Jan.–June 2015	Jan.–June 2014	Change in %
Operating result (EBIT)	–90.4	–48.3	87.1	–175.6	–91.3	92.4
EBITDA	–84.4	–44.9	87.8	–165.1	–84.4	95.7
EBITDA pre exceptionals	–75.6	–39.8	90.2	–144.3	–68.1	111.9
Business free cash flow	–88.6	–46.3	91.5	–168.9	–78.2	115.9

In the second quarter of 2015, administration expenses reported under Corporate and Other amounted to € 62 million (Q2 2014: € 48 million). Other operating expenses (net) rose to € –27 million (Q2 2014: € –1 million). This was due primarily to the development of the foreign currency result from operating activities. Whereas in the year-earlier quarter foreign currency gains were reported, a loss was incurred in the second quarter of 2015. Including these effects, in the second quarter of 2015 EBIT amounted to € –90 million (Q2 2014: € –48 million) and EBITDA was € –84 million (Q2 2014: € –45 million). Adjusted for one-time effects, EBITDA pre exceptionals totaled € –76 million (Q2 2014: € –40 million). This also had an impact on the development of business free cash flow, which dropped to € –89 million (Q2 2014: € –46 million).

In the first half of 2015, EBITDA pre exceptionals of Corporate and Other totaled € –144 million (Jan.-June 2014: € –68 million). The change in this indicator was mainly attributable to the increase in administration expenses and the negative development of the foreign currency result. Business free cash flow, which declined to € –169 million (Jan.-June 2014: € –78 million), particularly reflected the development of EBITDA pre exceptionals.

REPORT ON RISKS AND OPPORTUNITIES

As a global company operating a large number of highly innovative business fields, the Group is exposed to potential risks as well as opportunities. The risk categories enumerated as well as the opportunities described in the Report on Risks and Opportunities found on pages 122 to 133 of the Annual Report for 2014 remain valid for the Group in the current reporting period.

At present, Merck KGaA, Darmstadt, Germany, is not aware of any risks that could jeopardize the continued existence of the Group. The company has a Group-wide risk management system in place to identify and mitigate potential risks. The company continuously monitors business risks such as issues regarding liquidity, defaults on payables and receivables, currency and interest rates, market pricing, pension obligations, assessment of independent rating agencies, human resources and information technology. Regarding legal risks, the Group monitors a host of potential issues such as litigation regarding product liability, antitrust law, pharmaceutical law, patent law, and environmental protection.

REPORT ON EXPECTED DEVELOPMENTS

With the publication of the results of the first quarter of 2015, the company had quantified its expectations for net sales, EBITDA pre exceptionals and business free cash flow of the Group and its business sectors for 2015. Owing to business performance in the second quarter of 2015, Merck KGaA, Darmstadt, Germany, confirms its forecast for the full year 2015 at Group level. With respect to the forecast for EBITDA pre exceptionals – the Group's key internal and external key performance indicator to measure operating performance – the lower end of target corridor for the Life Science and Performance Materials business sectors of Merck KGaA, Darmstadt, Germany, has been slightly raised in comparison with the forecast published in report on the first quarter of 2015. However, the expenses reported under Corporate and Other are expected to increase slightly in comparison with the forecast published in the first quarter of 2015.

From today's perspective, Merck KGaA, Darmstadt, Germany, is aiming to complete the planned acquisition of Sigma-Aldrich in the third quarter of 2015. The forecast for the course of business in 2015 will initially be presented without taking the Sigma-Aldrich acquisition into account. In the event of a successful acquisition, separate forecasts for the affected business sectors and the Group will be given.

In 2015, slight organic sales growth and a slight portfolio effect due to the inclusion of AZ Electronic Materials for a full fiscal year are still expected for the Group. In addition, the Group continues to expect a positive exchange rate effect in the range of 5% to 7% on net sales in comparison with 2014.

Overall, Merck KGaA, Darmstadt, Germany, continues to assume an increase in net sales to between € 12.3 billion and € 12.5 billion. For 2015, the Group anticipates EBITDA pre exceptionals of between € 3.45 billion and € 3.55 billion. Business free cash flow of the Group is expected to lie between € 2.4 billion and € 2.5 billion in 2015.

In the case of the successful acquisition of Sigma-Aldrich in the third quarter of 2015, Merck KGaA, Darmstadt, Germany, expects low double-digit growth rates for net sales and EBITDA pre exceptionals at Group level in 2015 compared with 2014. A stable development of business free cash flow would be expected for the Group compared with 2014.

The Group still expects the organic sales performance of the Healthcare business sector of Merck KGaA, Darmstadt, Germany, in 2015 to remain at the previous year's level. For EBITDA pre exceptionals of the Healthcare business sector of Merck KGaA, Darmstadt, Germany, aiming for a target corridor of € 1.9 billion to € 2.0 billion. Spending on research and development projects related to the further development of avelumab will be largely offset by the share of the upfront payment from Pfizer attributable to 2015. The negative earnings effect due to the expected significant decline in Rebif® sales and the absence of royalty income for Humira® should be mitigated by currency tailwinds.

The Group continues to assume moderate organic sales growth in the Life Science business sector of Merck KGaA, Darmstadt, Germany, for 2015, which is likely to be driven especially by the Process Solutions and Lab Solutions business areas. Owing to continuous efficiency improvements, the positive exchange rate effect and the good development of net sales, the target corridor for EBITDA pre exceptionals can be specified further. The Group assumes that EBITDA pre exceptionals of the Life Science business sector of Merck KGaA, Darmstadt, Germany, will increase to between € 740 million and € 760 million (previously € 730 million to € 760 million). In the event of the successful acquisition of Sigma-Aldrich, the company anticipates double-digit growth rates in the Life Science business sector of Merck KGaA, Darmstadt, Germany, for 2015 compared with 2014, both for net sales and EBITDA pre exceptionals.

The Group continues to expect slight organic sales growth for the Performance Materials business sector of Merck KGaA, Darmstadt, Germany, in 2015. Volume growth in the Liquid Crystals business is assumed despite the customary price decline for established products in this industry. Due to the first-time consolidation of AZ Electronic Materials for a full fiscal year, a strong portfolio effect for net sales is still expected. Owing to the good business performance in the second quarter, the target corridor for EBITDA pre exceptionals is now being specified further. The Group now

assumes an increase to between € 1,060 and € 1,100 million (previously: € 1,050 million to € 1,100 million) for 2015. The scheduled realization of synergies from the acquisition of AZ Electronic Materials and positive foreign exchange effects are likely to contribute to this.

For EBITDA pre exceptionals of Corporate and Other, Merck KGaA, Darmstadt, Germany, anticipates a result of € –300 million to € –350 million (previously € –280 million to € –300 million). The adjustment to the forecast is due to the intensification of strategic Group initiatives, especially in the area of corporate branding.

GROUP →

FORECAST FOR FY 2015

€ million	Net sales	EBITDA pre exceptionals	Business free cash flow
Group	~ 12,300 to 12,500	~ 3,450 to 3,550	~ 2,400 to 2,500
Healthcare	Organic at the previous year's level	~ 1,900 to 2,000	~ 1,500 to 1,550
Life Science	Moderate organic growth	~ 740 to 760	~ 450 to 480
Performance Materials	Slight organic increase, strong portfolio effect	~ 1,060 to 1,100	~ 850 to 900
Corporate and Other		~ –350 to –300	~ –420 to –390

Earnings per share pre exceptionals € 4.60 – € 4.80

Full-year FX assumptions for 2015:
€ 1 = US$ 1.10 – 1.15
€ 1 = JPY 135
€ 1 = CHF 1.05

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2015

CONSOLIDATED INCOME STATEMENT[1]

€ million	Q2 – 2015	Q2 – 2014	Jan.–June 2015	Jan.–June 2014
Net sales	**3,219.5**	**2,815.3**	**6,260.6**	**5,443.5**
Cost of sales	–1,015.1	–841.5	–1,988.3	–1,590.0
(of which: amortization of intangible assets)	*(–41.8)*	*(–12.9)*	*(–82.9)*	*(–24.9)*
Gross profit	**2,204.3**	**1,973.8**	**4,272.3**	**3,853.4**
Marketing and selling expenses	–1,027.4	–912.1	–1,967.1	–1,767.6
(of which: amortization of intangible assets)	*(–189.4)*	*(–183.8)*	*(–367.5)*	*(–367.2)*
Administration expenses	–173.6	–151.0	–345.6	–283.3
Research and development costs	–455.8	–394.8	–897.0	–774.4
(of which: amortization of intangible assets)	*(–0.7)*	*(–0.7)*	*(–1.3)*	*(–1.4)*
Other operating expenses and income	–46.1	–74.8	–81.2	–118.8
Operating result (EBIT)	**501.4**	**441.0**	**981.3**	**909.3**
Financial result	–40.8	–50.2	–141.4	–84.9
Profit before income tax	**460.5**	**390.8**	**839.9**	**824.4**
Income tax	–114.8	–84.8	–208.9	–191.0
Profit after tax	**345.7**	**306.0**	**631.1**	**633.4**
of which attributable to Merck KGaA, Darmstadt, Germany, shareholders (net income)	343.4	303.3	625.1	628.5
of which attributable to non-controlling interests	2.3	2.7	6.0	4.9
Earnings per share (€)				
basic	0.79	0.70	1.44	1.45
diluted	0.79	0.70	1.44	1.45

[1] The reporting structure has changed, see "Accounting policies".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ million	Q2 – 2015	Q2 – 2014	Jan.–June 2015	Jan.–June 2014
Profit after tax	**345.7**	**306.0**	**631.1**	**633.4**
Items of other comprehensive income that will not be reclassified to profit or loss in subsequent periods:				
Remeasurement of the net defined benefit liability				
Changes in remeasurement	536.5	–80.6	247.8	–245.3
Tax effect	–106.1	15.0	–50.8	45.2
Changes recognized in equity	**430.4**	**–65.6**	**197.0**	**–200.1**
	430.4	**–65.6**	**197.0**	**–200.1**
Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Available-for-sale financial assets				
Fair value adjustments	11.9	–0.5	19.0	–1.1
Reclassification to profit or loss	–	–	–	1.7
Tax effect	–0.6	0.1	–2.4	–0.1
Changes recognized in equity	**11.3**	**–0.4**	**16.6**	**0.5**
Derivative financial instruments				
Fair value adjustments	–252.5	–29.5	637.6	–52.5
Reclassification to profit or loss	17.5	–12.2	29.3	–26.2
Reclassification to assets	–	–	–	–
Tax effect	–6.7	10.2	22.5	19.0
Changes recognized in equity	**–241.7**	**–31.5**	**689.4**	**–59.7**
Exchange differences on translating foreign operations				
Changes taken directly to equity	–333.1	78.4	700.3	89.0
Reclassification to profit or loss	–	–	–	–
Changes recognized in equity	**–333.1**	**78.4**	**700.3**	**89.0**
	–563.5	**46.5**	**1,406.3**	**29.8**
Other comprehensive income	**–133.1**	**–19.1**	**1,603.3**	**–170.3**
Comprehensive income	**212.6**	**286.9**	**2,234.4**	**463.1**
of which attributable to Merck KGaA, Darmstadt, Germany, shareholders	213.6	285.1	2,224.3	456.2
of which attributable to non-controlling interests	–1.0	1.8	10.1	6.9

CONSOLIDATED BALANCE SHEET[1]

€ million	June 30, 2015	Dec. 31, 2014
Non-current assets		
Intangible assets	11,741.0	11,395.5
Property, plant and equipment	3,027.1	2,990.4
Non-current financial assets	113.6	94.4
Other non-current assets	54.6	56.5
Deferred tax assets	1,004.4	992.9
	15,940.7	**15,529.7**
Current assets		
Inventories	1,793.5	1,659.7
Trade accounts receivable	2,472.0	2,219.5
Current financial assets	908.4	2,199.4
Other current assets	593.6	1,226.3
Income tax receivables	320.9	297.0
Cash and cash equivalents	7,774.8	2,878.5
	13,863.1	**10,480.4**
Assets	**29,803.8**	**26,010.1**
Total equity		
Equity capital	565.2	565.2
Reserves	9,731.9	9,038.9
Gains/losses recognized immediately in equity	3,539.8	2,137.5
Equity attributable to Merck KGaA, Darmstadt, Germany, shareholders	**13,836.9**	**11,741.6**
Non-controlling interests	66.8	59.4
	13,903.7	**11,801.0**
Non-current liabilities		
Provisions for pensions and other post-employment benefits	1,628.9	1,820.1
Non-current provisions	698.1	626.1
Non-current financial liabilities	6,878.1	3,561.1
Other non-current liabilities	707.9	782.0
Deferred tax liabilities	670.9	818.4
	10,584.0	**7,607.7**
Current liabilities		
Current provisions	493.9	561.7
Current financial liabilities	1,237.6	2,075.9
Trade accounts payable	1,753.6	1,539.4
Income tax liabilities	766.3	849.8
Other current liabilities	1,064.8	1,574.6
	5,316.1	**6,601.4**
Total liabilities and equity	**29,803.8**	**26,010.1**

[1] The structure of the balance sheet has changed, see "Accounting policies".

CONSOLIDATED CASH FLOW STATEMENT

€ million	Q2 – 2015	Q2 – 2014	Jan.–June 2015	Jan.–June 2014
Profit after tax	**345.7**	**306.0**	**631.1**	**633.4**
Depreciation/ amortization/ impairment losses/reversals of impairment losses	343.5	326.0	668.9	627.9
Changes in inventories	–51.7	30.9	–95.0	–7.2
Changes in trade accounts receivable[1]	–45.6	–58.4	–150.1	–121.1
Changes in trade accounts payable	72.4	26.6	48.3	–19.6
Changes in provisions	–70.2	–42.0	20.2	–89.0
Changes in other assets and liabilities[1]	–270.2	–150.2	–500.7	–182.0
Neutralization of gain/loss on disposals of assets	–7.0	–11.5	–22.3	–11.8
Other non-cash income and expenses	9.5	2.0	4.7	7.5
Net cash flows from operating activities	**326.4**	**429.3**	**605.0**	**838.1**
Payments for investments in intangible assets	–16.3	–31.2	–20.1	–39.0
Payments from the disposal of intangible assets	–	–	16.2	–
Payments for investments in property, plant and equipment	–92.7	–84.7	–167.1	–142.1
Payments from the disposal of property, plant and equipment	–	3.2	1.8	4.0
Payments for investments in financial assets	–578.6	–340.5	–1,619.9	–506.2
Payments from/for acquisitions less acquired cash and cash equivalents	1,026.5	–1,419.4	1,026.5	–1,419.4
Payments from the disposal of other financial assets	1,521.1	618.6	3,015.0	1,948.5
Payments from the divestment of the Discovery and Development Solutions business field	–	20.7	–	20.7
Net cash flows from investing activities	**1,860.0**	**–1,233.3**	**2,252.4**	**–133.6**
Dividend payments to Merck KGaA, Darmstadt, Germany, shareholders	–129.2	–122.8	–129.2	–122.8
Dividend payments to non-controlling interests	–2.0	–0.1	–2.5	–2.7
Dividend payments to E. Merck KG, Darmstadt, Germany	–380.2	–383.0	–435.0	–383.0
Payments from new borrowings of financial liabilities from E. Merck KG, Darmstadt, Germany	322.6	286.8	261.3	275.8
Payments from the issuance of bonds	–	–	3,713.0	–
Repayments of bonds	–	–	–1,350.0	–
Payments for the acquisition of interests in AZ Electronic Materials S.A. after obtainment of control	–	–348.3	–	–348.3
Changes in other current and non-current financial liabilities	15.3	–288.1	56.4	–267.2
Net cash flows from financing activities	**–173.6**	**–855.5**	**2,114.0**	**–848.4**
Changes in cash and cash equivalents	**2,012.8**	**–1,659.4**	**4,971.4**	**–143.9**
Changes in cash and cash equivalents due to currency translation	–181.1	10.5	–75.2	9.7
Cash and cash equivalents at the beginning of the reporting period	**5,943.0**	**2,495.4**	**2,878.5**	**980.8**
Cash and cash equivalents as of June 30	**7,774.8**	**846.6**	**7,774.8**	**846.6**

[1] Disclosure has changed in comparison with the previous year.

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

	Equity capital			Retained earnings	
€ million	General partner's equity Merck KGaA, Darmstadt, Germany	Subscribed capital Merck KGaA, Darmstadt, Germany	Capital reserves (share premium) Merck KGaA, Darmstadt, Germany	Retained earnings/ Net retained profit	Remeasurement of defined benefit plans
Balance as of January 1, 2014	**397.2**	**168.0**	**3,813.7**	**6,090.1**	**–562.7**
Profit after tax	–	–	–	628.5	–
Other comprehensive income	–	–	–	–	–200.1
Comprehensive income	**–**	**–**	**–**	**628.5**	**–200.1**
Dividend payments	–	–	–	–122.8	–
Transactions with no change of control	–	–	–	–192.9	–
Changes in scope of consolidation / Other	–	–	–	–	–
Balance as of June 30, 2014	**397.2**	**168.0**	**3,813.7**	**6,402.0**	**–762.8**
Balance as of Jan. 1, 2015	**397.2**	**168.0**	**3,813.7**	**6,499.9**	**–1,274.7**
Profit after tax	–	–	–	625.1	–
Other comprehensive income	–	–	–	–	197.0
Comprehensive income	**–**	**–**	**–**	**625.1**	**197.0**
Dividend payments	–	–	–	–129.2	–
Transactions with no change of control	–	–	–	–	–
Changes in scope of consolidation / Other	–	–	–	0.2	–
Balance as of June 30, 2015	**397.2**	**168.0**	**3,813.7**	**6,996.0**	**–1,077.7**

Gains/losses recognized immediately in equity					
Available-for-sale financial assets	Derivative financial instruments	Currency translation difference	Equity attributable to Merck KGaA, Darmstadt, Germany, shareholders	Non-controlling interests	Total equity
1.0	**44.2**	**1,068.5**	**11,020.0**	**49.2**	**11,069.2**
–	–	–	628.5	4.9	633.4
0.5	–59.7	87.0	–172.3	2.0	–170.3
0.5	**–59.7**	**87.0**	**456.2**	**6.9**	**463.1**
–	–	–	–122.8	–2.7	–125.5
–	–	–	–192.9	–155.4	–348.3
–	–	–	–	156.4	156.4
1.5	**–15.5**	**1,155.5**	**11,160.5**	**54.4**	**11,214.9**
–0.1	**392.7**	**1,744.9**	**11,741.6**	**59.4**	**11,801.0**
–	–	–	625.1	6.0	631.1
16.6	689.4	696.3	1,599.2	4.1	1,603.3
16.6	**689.4**	**696.3**	**2,224.3**	**10.1**	**2,234.4**
–	–	–	–129.2	–2.5	–131.7
–	–	–	–	–	–
–	–	–	0.2	–0.2	–
16.5	**1,082.1**	**2,441.2**	**13,836.9**	**66.8**	**13,903.7**

NOTES TO THE INTERIM GROUP ACCOUNTS AS OF JUNE 30, 2015

These consolidated financial statements have been prepared with Merck Kommanditgesellschaft auf Aktien, Frankfurter Strasse 250, 64293 Darmstadt, Germany, which manages the operations of the Group, as parent company.

Accounting policies

The interim financial statements of the Group dated June 30, 2015 comply with IAS 34. They have been prepared in accordance with the International Reporting Standards (IFRS) in force on the reporting date and adopted by the European Union as well as in accordance with section 37w of the German Securities Trading Act (WpHG). In accordance with IAS 34, a condensed scope of reporting as compared with the consolidated financial statements as of December 31, 2014 was selected. The figures in this interim report have been rounded, which may lead to individual values not adding up to the totals presented.

The notes to the consolidated financial statements of the Group for 2014, particularly the accounting policies, apply accordingly.

Income tax includes the taxes on taxable profit levied in the individual countries plus changes in deferred taxes recognized in income. The income tax in the interim financial statements is calculated based on the results of the consolidated companies and the currently valid tax rate as a best possible estimate.

The preparation of the interim financial statements requires that assumptions and estimates be made to a certain extent. The assumptions and estimates are based on the current state of knowledge and the data available on the balance sheet date.

The following standards take effect as of fiscal 2015:

→ Annual Improvements to IFRSs 2011 – 2013 Cycle

→ IFRIC 21 “Levies”

The new rules do not have any material effects on the interim consolidated financial statements.

With the exception of the disclosure changes described in the following, there were no material changes to accounting policies in comparison with the previous year.

Balance sheet structure

Since January 1, 2015, the balance sheet of the Group has been structured in descending order of maturity. The previous year has been adjusted accordingly.

Segment reporting

On January 1, 2015, the three business sectors Healthcare, Life Science and Performance Materials were introduced for the internal steering, resource allocation and the assessment of performance within the Group. The Healthcare business sector comprises the businesses that were reported separately as the Biopharmaceuticals business and Consumer Health segments in the previous year. The Life Science business sector comprises the Life Science business and thus corresponds to the Life Science segment of the previous year. The Performance Materials business sector, corresponds to the segment of the same name in the previous year. More information on the new segmentation can be found under “Segment Reporting”.

Functional allocation of amortization of intangible assets (excluding software) as well as royalty, license and commission expenses

Since the third quarter of 2014, amortization of intangible assets (excluding software), which was previously disclosed in a separate line in the income statement, has been allocated to the corresponding functional costs. Amortization relates in particular to intangible assets recognized within the scope of the purchase price allocations for the acquisitions of Serono SA, the Millipore Corporation as well as AZ Electronic Materials S.A. Amortization of software was already allocated to the functional costs in the past. This disclosure change has led to an increase in marketing and selling expenses, cost of sales as well as research and development costs. In addition, royalty, license and commission expenses, which was previously disclosed in a separate line, has been allocated to the corresponding functional costs or to a limited extent to other operating expenses as of January 1, 2015.

New composition of net sales and trade accounts receivable

Since January 1, 2015, royalty, license and commission income has no longer been disclosed in a separate line in the income statement. Instead, royalty and license income is included in other operating income, and commission income is included in net sales. Consequently, in the balance sheet as of December 31, 2014, receivables from licenses, which amounted to € 16.1 million and were previously included in trade accounts receivable, were reclassified to other current assets.

All of the aforementioned disclosure changes were made in order to ensure improved comparability of the income statement of the Group with other companies. A detailed presentation of the resulting disclosure changes by business sector can be found in the information on “Segment Reporting”.

The previous year’s figures have been adjusted accordingly and are presented in the following table:

GROUP | 2014 ADJUSTMENT

€ million	2014 old structure				2014 adjustment				2014 adjusted			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	2,613.9	2,795.5	2,905.6	2,976.5	14.3	19.8	15.1	22.1	2,628.2	2,815.3	2,920.7	2,998.6
Royalty, license and commission income	51.0	67.6	30.8	59.9	–51.0	–67.6	–30.8	–59.9	–	–	–	–
Total revenues	**2,664.8**	**2,863.1**	**2,936.4**	**3,036.4**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Cost of sales	–748.5	–841.5	–948.2	–988.2	–	–	–	–	–748.5	–841.5	–948.2	–988.2
(of which: amortization of intangible assets)	*(–12.0)*	*(–12.9)*	*(–30.0)*	*(–39.1)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–12.0)*	*(–12.9)*	*(–30.0)*	*(–39.1)*
Gross profit	**1,916.3**	**2,021.6**	**1,988.2**	**2,048.3**	**–36.7**	**–47.8**	**–15.7**	**–37.8**	**1,879.6**	**1,973.8**	**1,972.5**	**2,010.5**
Marketing and selling expenses	–732.9	–785.3	–759.4	–827.2	–122.6	–126.8	–120.3	–114.6	–855.5	–912.1	–879.7	–941.8
(of which: amortization of intangible assets)	*(–183.4)*	*(–183.8)*	*(–174.8)*	*(–176.9)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–183.4)*	*(–183.8)*	*(–174.8)*	*(–176.9)*
Royalty, license and commission expenses	–136.4	–139.1	–134.4	–127.6	136.4	139.1	134.4	127.6	–	–	–	–
Administration expenses	–132.3	–151.0	–156.0	–169.3	–	–	–	–	–132.3	–151.0	–156.0	–169.3
Research and development costs	–379.6	–394.8	–505.1	–424.2	–	–	–	–	–379.6	–394.8	–505.1	–424.2
(of which: amortization of intangible assets)	*(–0.7)*	*(–0.7)*	*(–1.3)*	*(–1.1)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–0.7)*	*(–0.7)*	*(–1.3)*	*(–1.1)*
Other operating expenses and income	–66.8	–110.4	–4.4	–76.1	22.8	35.6	1.6	24.7	–44.0	–74.8	–2.8	–51.4
Operating result (EBIT)	**468.3**	**441.0**	**428.9**	**423.8**	**–**	**–**	**–**	**–**	**468.3**	**441.0**	**428.9**	**423.8**
Margin (% of net sales)	17.9	15.8	14.8	14.2	–0.1	–0.1	–0.1	–0.1	17.8	15.7	14.7	14.1
EBITDA	**770.2**	**767.0**	**781.5**	**804.2**	**–**	**–**	**–**	**–**	**770.2**	**767.0**	**781.5**	**804.2**
Margin (% of net sales)	29.5	27.4	26.9	27.0	–0.2	–0.2	–0.1	–0.2	29.3	27.2	26.8	26.8
EBITDA pre exceptionals	**807.1**	**845.7**	**856.6**	**878.4**	**–**	**–**	**–**	**–**	**807.1**	**845.7**	**856.6**	**878.4**
Margin (% of net sales)	30.9	30.3	29.5	29.5	–0.2	–0.3	–0.2	–0.2	30.7	30.0	29.3	29.3

€ million	2014 old structure			2014 adjustment			2014 adjusted		
	Jan.– June	Jan.–Sept.	Jan.–Dec.	Jan.– June	Jan.–Sept.	Jan.–Dec.	Jan.– June	Jan.–Sept.	Jan.–Dec.
Net sales	5,409.4	8,315.0	11,291.5	34.1	49.2	71.3	5,443.5	8,364.2	11,362.8
Royalty, license and commission income	118.5	149.4	209.3	–118.5	–149.4	–209.3	–	–	–
Total revenues	**5,527.9**	**8,464.4**	**11,500.8**	**–**	**–**	**–**	**–**	**–**	**–**
Cost of sales	–1,590.0	–2,538.3	–3,526.4	–	–	–	–1,590.0	–2,538.3	–3,526.4
(of which: amortization of intangible assets)	*(–24.9)*	*(–54.9)*	*(–94.0)*	*(–)*	*(–)*	*(–)*	*(–24.9)*	*(–54.9)*	*(–94.0)*
Gross profit	**3,937.9**	**5,926.1**	**7,974.4**	**–84.5**	**–100.2**	**–138.0**	**3,853.4**	**5,825.9**	**7,836.4**
Marketing and selling expenses	–1,518.2	–2,277.7	–3,104.9	–249.4	–369.6	–484.2	–1,767.6	–2,647.3	–3,589.1
(of which: amortization of intangible assets)	*(–367.2)*	*(–542.1)*	*(–719.0)*	*(–)*	*(–)*	*(–)*	*(–367.2)*	*(–542.1)*	*(–719.0)*
Royalty, license and commission expenses	–275.4	–409.9	–537.5	275.4	409.9	537.5	–	–	–
Administration expenses	–283.3	–439.3	–608.6	–	–	–	–283.3	–439.3	–608.6
Research and development costs	–774.4	–1,279.5	–1,703.7	–	–	–	–774.4	–1,279.5	–1,703.7
(of which: amortization of intangible assets)	*(–1.4)*	*(–2.8)*	*(–3.8)*	*(–)*	*(–)*	*(–)*	*(–1.4)*	*(–2.8)*	*(–3.8)*
Other operating expenses and income	–177.2	–181.6	–257.7	58.4	60.0	84.7	–118.8	–121.6	–173.0
Operating result (EBIT)	**909.3**	**1,338.2**	**1,762.0**	**–**	**–**	**–**	**909.3**	**1,338.2**	**1,762.0**
Margin (% of net sales)	16.8	16.1	15.6	–0.1	–0.1	–0.1	16.7	16.0	15.5
EBITDA	**1,537.2**	**2,318.7**	**3,122.9**	**–**	**–**	**–**	**1,537.2**	**2,318.7**	**3,122.9**
Margin (% of net sales)	28.4	27.9	27.7	–0.2	–0.2	–0.2	28.2	27.7	27.5
EBITDA pre exceptionals	**1,652.7**	**2,509.4**	**3,387.7**	**–**	**–**	**–**	**1,652.7**	**2,509.4**	**3,387.7**
Margin (% of net sales)	30.6	30.2	30.0	–0.2	–0.2	–0.2	30.4	30.0	29.8

Scope of consolidation

As of June 30, 2015, 211 (December 31, 2014: 218) companies were fully consolidated. No companies were consolidated using either the proportionate consolidation method or the equity method as of the balance sheet date. Since the beginning of 2015, two mergers and four liquidations took place. In addition, three companies were deconsolidated due to immateriality and two previously immaterial companies were included in the scope of consolidation for the first time.

Acquisition of AZ Electronic Materials S.A. in 2014

Within the scope of a public takeover offer, on May 2, 2014 the Group had received valid acceptances of the offer in respect of 81.3 % of the share capital and thus obtained control of the publicly listed company AZ Electronic Materials S.A., Luxembourg (AZ). By June 27, 2014, the Group had increased its shareholding in AZ to 99.8 % and was then able to initiate a squeeze-out, which was completed on July 2, 2014 with the acquisition of the remaining shareholding of 0.2 %.

AZ is a producer of high-purity specialty chemicals for integrated circuits as well as light-sensitive processing materials, or photoresists, for the manufacture of flat panel displays, and silicon-chemistry-based products for optoelectronics.

Within the scope of the acquisition, no conditional consideration was agreed upon which the Group would possibly have to pay in the future. The purchase price allocation was completed on December 31, 2014.

The development of the goodwill recognized within the scope of the acquisition during the period from January 1, 2015 and June 30, 2015 was as follows:

	Development of goodwill
Goodwill on December 31, 2014	930.0
Exchange rate effects	82.9
Goodwill on June 30, 2015	**1,012.9**

Planned acquisition of Sigma-Aldrich Corporation

On September 22, 2014, the Group and the Sigma-Aldrich Corporation, a life science and high-technology enterprise headquartered in St. Louis, Missouri (USA), entered into a definitive agreement under which the Group will acquire Sigma-Aldrich for approximately US$ 17.0 billion or € 13.1 billion (based on the exchange rate on September 22, 2014). The Group intends to acquire all of the outstanding shares of Sigma-Aldrich for US$ 140 per share in cash. The agreed price represents a 37 % premium to the last closing price of US$ 102.37 on September 19, 2014, and a 36 % premium to the one-month average closing price. The transaction was unanimously approved by Sigma-Aldrich's board of directors. Sigma-Aldrich shareholders approved the proposed transaction at an extraordinary shareholders meeting, which was held on December 5, 2014. On December 23, 2014, Sigma-Aldrich announced that the proposed acquisition had cleared U.S. regulatory hurdles when the waiting period for the Hart-Scott-Rodino Antitrust Improvement Act expired. On June 15, 2015, the Group announced that the European Commission had approved the acquisition of Sigma-Aldrich. EU clearance, which is subject to certain conditions, followed antitrust approvals in Japan (JFTC) and by the Chinese Ministry of Commerce (MOFCOM).

As part of the EU commitments, the Group and Sigma-Aldrich have agreed to sell parts of Sigma-Aldrich's solvents and inorganics business in Europe. These include its manufacturing assets in Seelze, Germany, where most of the solvents and inorganics sold by Sigma-Aldrich in Europe are manufactured. In addition, the divestiture of solvents and inorganics sold by Sigma-Aldrich worldwide under the Fluka, Riedel-de-Haen and Hydranal brands as well as a temporary license to the Sigma-Aldrich brand for the supply of solvents and inorganics in the European Economic Area have been agreed. The commitments also include the transfer of

customer information and a solution to ensure a temporary channel to the market. Furthermore, the acquisition of Sigma-Aldrich was approved by the antitrust authorities of Israel, Russia, Serbia, South Africa, South Korea, Taiwan and Ukraine, however certain regulatory approvals in other countries are still pending. The Group expects the transaction to close in the third quarter of 2015.

The purchase price will be financed through a combination of cash on the Group's balance sheet, bank loans and bonds. Following the issuance of a hybrid bond (€ 1.5 billion) in December 2014, the Group issued a further bond with a volume of US$ 4 billion in the United States on March 17, 2015. A total of five tranches were placed, comprising floating rate and fixed rate notes. The floating rate notes have a maturity of 2 years (US$ 250 million with a 0.35% spread over 3-month U.S. dollar LIBOR). The fixed rate notes have a maturity of 3 years (US$ 400 million with a coupon of 1.70%), 5 years (US$ 750 million with a coupon of 2.40%), 7 years (US$ 1.0 billion for 2.95%), and 10 years (US$ 1.6 billion for 3.25%).

The vast majority of the currency risk stemming from the purchase price payment for Sigma-Aldrich in U.S. dollars has been hedged within the scope of a rollover hedging strategy using standard derivatives (forward exchange transactions and currency options) in line with the requirements for cash flow hedge accounting. In June 2015, forward exchange contracts classified as hedging instruments expired. These were renewed by follow-on transactions. This led to a cash inflow of € 1.0 billion, which is disclosed in the consolidated cash flow statement as part of net cash flows from investing activities. The hedging relationship continues to exist.

Planned acquisition of Qlight Nanotech Ltd., Israel

On June 29, 2015, the Group announced its intention to acquire the remaining interest in the start-up Qlight Nanotech Ltd., Israel. Subsequent to the closing, which is expected in the second half of 2015, the Group will hold 100% of the company. Qlight Nanotech Ltd. will operate as the Group's quantum materials research hub. The acquisition will not have a material effect on the net assets, financial position and results of operations of the Group.

Collaboration and license agreement with Intrexon Corporation, USA

In the second quarter of 2015, the strategic collaboration and license agreement to develop and commercialize Chimeric Antigen Receptor T-cell (CAR-T) cancer therapies entered into by the Group and Intrexon Corporation, USA became effective. The collaboration serves to promote the Biopharmaceuticals business' strategy of developing therapies that modulate the natural ability of the immune system to fight tumors. Under the terms of the agreement, Intrexon is entitled to an upfront payment of € 101.9 million (US$ 115 million). For the first two targets of interest selected by the Biopharmaceuticals business, Intrexon is eligible to receive up to US$ 826 million for the achievement of defined development, regulatory and commercial milestones, as well as tiered royalties on product sales. The acquired intellectual property was capitalized as an intangible asset in the second quarter of 2015.

Agreement with Pfizer Inc., USA, to co-promote Xalkori®

In the second quarter of 2015, the Group and Pfizer Inc. USA finalized a co-promotion agreement allowing the companies to jointly co-promote Pfizer's anaplastic lymphoma kinase (ALK) inhibitor Xalkori® (crizotinib) for the treatment of non-small-cell lung cancer. This co-promotion relationship is related to the announcement in November 2014 of a global strategic alliance between the Group and Pfizer to jointly develop and commercialize avelumab, an investigational anti-PD-L1 monoclonal antibody. Under the terms of the agreement, the Group will receive in 2015 from Pfizer for its commercialization activities in the United States, Japan, France, Germany, Italy, Spain and the United Kingdom compensation associated with its activities, followed by a 20% profit sharing on the product for the period from 2016 to the end of 2020. The co-promotion rights for China and Turkey will begin on January 1, 2016 and last through December 31, 2021. The intangible assets capitalized for the co-promotion rights will be amortized over the term of the agreement.

Greece

As of June 30, 2015, the Group had trade accounts receivable from Greek customers amounting to € 37.7 million. Of these trade accounts receivable, € 32.6 million is attributable to public health care institutions. On June 30, 2015, an allowance of € 19.1 million had been recognized on the aforementioned receivables. As of June 30, 2015, other Group companies had receivables of € 6.2 million from Greek subsidiaries.

Applicable foreign exchange mechanism in Venezuela

Through its subsidiaries, the Group imports and distributes pharmaceutical products in Venezuela. In analogous application of IAS 21.26, the translation of the local financial statements from Venezuelan bolivars as the functional currency to euros as the reporting currency must proceed using the exchange rate at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

The Venezuelan bolivar is not a freely convertible currency, meaning that its exchange into other currencies requires authorization and must take place at official exchange rates set by the government. As of June 30, 2015, the three following exchange rate mechanisms were in place:

- "CENCOEX" (6.3 bolivars per U.S. dollar): Official privileged exchange rate mechanism allowed only for imports of high-priority essential goods such as food and medicines;
- "SICAD" (12.8 bolivars per U.S. dollar): Official exchange rate mechanism whereby exchange rates are set based on conducted auctions;
- "SIMADI" (Marginal Currency System) (197.3 bolivars per U.S. dollar): Official exchange rate mechanism that permits individuals and entities to buy and sell foreign currency with fewer restrictions than the other exchange rate mechanisms in Venezuela.

Owing to the strained macroeconomic situation in Venezuela, in the first half of 2015, the Venezuelan authorities only granted limited authorizations to pay for imports using the privileged exchange rate. It cannot be ruled out that the rate of payment will deteriorate further or that the privileged exchange rate will no longer be available in the future, meaning that it will be necessary

to use another exchange rate mechanism when translating into the reporting currency. As a company in the pharmaceutical industry, and thus as a supplier of goods classified as essential, for imports of products to Venezuela the Group is, however, generally authorized continue to convert Venezuelan bolivars at a privileged official exchange rate of 6.3 bolivars per U.S. dollar (CENCOEX exchange rate). Since all payments to date have been made at this exchange rate and all other exchange rate mechanisms were only in effect for a short period of time, the Group currently estimates that for the translation of the financial statements of its Venezuelan subsidiaries as of June 30, 2015, the CENCOEX exchange rate is to be applied.

This estimate is discretionary. The Group will continue to closely monitor the further development of payments received and the exchange rate mechanism. If the payment rates deteriorate further or it can no longer be assumed that the CENCOEX exchange rate is relevant for the translation of the local currency into euros, the reporting currency, this could lead to an amended estimate, which in turn could trigger a change in currency translation.

The net sales generated in Venezuela using the privileged CENCOEX exchange rate (6.3 bolivars per U.S. dollar) amounted to € 96.5 million in the second quarter of 2015 and to € 168.3 million in the first half of 2015.

SEGMENT REPORTING

INFORMATION BY BUSINESS SECTOR →

€ million	Healthcare				Life Science			
	Q2 – 2015	Q2 – 2014	Jan.–June 2015	Jan.–June 2014	Q2 – 2015	Q2 – 2014	Jan.–June 2015	Jan.–June 2014
Net sales[1]	**1,803.4**	**1,650.8**	**3,489.6**	**3,220.1**	**772.8**	**658.7**	**1,510.8**	**1,315.3**
Operating result (EBIT)	**267.2**	**276.6**	**535.6**	**549.2**	**86.8**	**75.2**	**169.6**	**162.2**
Depreciation and amortization	191.1	190.2	371.6	383.4	82.9	74.9	164.1	151.5
Impairment losses	2.5	16.9	2.9	18.1	0.1	0.2	0.1	0.3
Reversals of impairment losses	–	–	–	–	–	–	–	–
EBITDA	**460.7**	**483.6**	**910.1**	**950.7**	**169.8**	**150.3**	**333.7**	**314.0**
Exceptionals	19.0	9.8	30.6	22.0	30.0	15.4	50.2	21.4
EBITDA pre exceptionals (Segment result)	**479.7**	**493.4**	**940.7**	**972.7**	**199.8**	**165.7**	**383.9**	**335.4**
EBITDA margin pre exceptionals (% of net sales)[1]	26.6	29.9	27.0	30.2	25.9	25.2	25.4	25.5
Net operating assets[2]			6,011.7	6,041.0			6,482.2	6,196.3
Segment liabilities[2]			–2,612.8	–2,507.9			–424.0	–434.6
Investments in property, plant and equipment[3]	38.7	38.3	66.8	64.8	26.5	26.2	47.6	44.7
Investments in intangible assets[3]	10.3	23.4	11.5	27.2	2.5	1.6	2.9	2.8
Net cash flows from operating activities[3]	259.4	309.1	619.3	786.3	94.0	105.5	223.7	205.2
Business free cash flow	427.2	373.5	682.7	869.7	201.6	125.5	224.5	179.9

[1] The composition of net sales has changed, see "Accounting Policies".
[2] Figures for the reporting period ending on June 30, 2015, previous-year figures as of December 31, 2014.
[3] According to the consolidated cash flow statement.

Performance Materials				Corporate and Other				Group			
Q2 – 2015	Q2 – 2014	Jan.–June 2015	Jan.–June 2014	Q2 – 2015	Q2 – 2014	Jan.–June 2015	Jan.–June 2014	Q2 – 2015	Q2 – 2014	Jan.–June 2015	Jan.–June 2014
643.3	**505.8**	**1,260.3**	**908.1**	**–**	**–**	**–**	**–**	**3,219.5**	**2,815.3**	**6,260.6**	**5,443.5**
237.8	**137.5**	**451.8**	**289.2**	**–90.4**	**–48.3**	**–175.6**	**–91.3**	**501.4**	**441.0**	**981.3**	**909.3**
60.8	39.5	119.7	66.7	4.2	3.4	8.7	6.9	339.0	307.9	664.1	608.6
0.1	1.2	0.1	1.3	1.8	–	1.8	–	4.4	18.3	4.9	19.7
–	–0.1	–0.1	–0.3	–	–	–	–	–	–0.1	–0.1	–0.3
298.7	**178.1**	**571.6**	**356.9**	**–84.4**	**–44.9**	**–165.1**	**–84.4**	**844.8**	**767.0**	**1,650.3**	**1,537.2**
–3.3	48.2	0.5	55.9	8.8	5.1	20.8	16.3	54.5	78.7	102.1	115.5
295.4	**226.3**	**572.0**	**412.8**	**–75.6**	**–39.8**	**–144.3**	**–68.1**	**899.4**	**845.7**	**1,752.4**	**1,652.7**
45.9	44.7	45.4	45.5	–	–	–	–	27.9	30.0	28.0	30.4
		3,593.7	3,348.6			133.4	126.1			16,221.0	15,712.0
		–301.1	–355.4			–44.5	–56.5			–3,382.4	–3,354.4
16.2	17.4	32.6	28.7	11.2	2.8	20.1	3.9	92.5	84.7	167.1	142.1
0.9	2.4	1.4	3.0	2.4	3.6	4.4	6.0	16.3	31.2	20.1	39.0
248.8	200.5	495.8	368.4	–275.7	–185.8	–733.8	–521.8	326.4	429.3	605.0	838.1
289.3	179.4	451.8	344.9	–88.6	–46.3	–168.9	–78.2	829.6	632.2	1,190.1	1,316.3

Segmentation was performed in accordance with the internal organization and reporting structure of the Group valid as of 2015.

The fields of activity of the individual segments are described in detail in the sections about the business sectors in the interim management report.

The column "Corporate and Other" includes expenses and income as well as assets and liabilities that cannot be directly allocated to the reportable segments. These mainly relate to Group functions. Moreover, the column serves the reconciliation to the Group numbers. The expenses and income as well as cash flows from the financial result and from income taxes are also disclosed under "Corporate and Other".

Apart from net sales, the success of a segment is mainly determined by EBITDA pre exceptionals (segment result) and business free cash flow. EBITDA pre exceptionals and business free cash flow are performance indicators not defined by International Financial Reporting Standards. However, they represent important variables used to steer the Group. To permit a better understanding of operational performance, EBITDA pre exceptionals excludes depreciation, amortization, impairment losses, and reversals of impairment losses in addition to specific income and expenses of a one-time nature presented in the following. Among other things, business free cash flow is also used for internal target agreements and individual incentive plans.

Transfer prices for intragroup sales are determined on an arm's-length basis.

The following table presents the reconciliation of EBITDA pre exceptionals of all operating businesses to the profit before income tax of the Group.

€ million	Q2 – 2015	Q2 – 2014	Jan.–June 2015	Jan.–June 2014
Total EBITDA pre exceptionals of the operating businesses	**974.9**	**885.4**	**1,896.6**	**1,720.9**
Corporate and Other	–75.6	–39.8	–144.3	–68.1
EBITDA pre exceptionals Group	**899.4**	**845.7**	**1,752.4**	**1,652.7**
Depreciation / amortization / impairment losses / reversals of impairment losses	–343.5	–326.0	–668.9	–627.9
Exceptionals	–54.5	–78.7	–102.1	–115.5
Operating result (EBIT)	**501.4**	**441.0**	**981.3**	**909.3**
Financial result	–40.8	–50.2	–141.4	–84.9
Profit before income tax	**460.5**	**390.8**	**839.9**	**824.4**

The composition of business free cash flow was as follows:

€ million	Q2 – 2015	Q2 – 2014	Jan.–June 2015	Jan.–June 2014
EBITDA pre exceptionals	**899.4**	**845.7**	**1,752.4**	**1,652.7**
Investments in property, plant and equipment, software as well as advance payments for intangible assets	–98.9	–96.0	–177.3	–158.8
Changes in inventories according to the balance sheet	21.4	–107.2	–133.8	–144.6
Changes in trade accounts receivable and receivables from royalties and licenses according to the balance sheet	7.7	–174.7	–251.2	–197.5
Adjustments first-time consolidation of AZ Electronic Materials	–	164.4	–	164.4
Business free cash flow	**829.6**	**632.2**	**1,190.1**	**1,316.3**

Exceptionals were as follows:

€ million	Q2 – 2015	Q2 – 2014	Jan.–June 2015	Jan.–June 2014
Restructuring costs	–20.7	–20.5	–39.9	–35.6
Acquisition-related exceptionals	–25.4	–45.7	–39.6	–46.7
Integration/IT costs	–11.3	–20.3	–21.6	–34.7
Gains/losses on the divestment of businesses	5.8	10.5	5.8	6.4
Other exceptionals	–2.8	–2.7	–6.8	–5.0
Exceptionals before impairment losses/reversals of impairments	**–54.5**	**–78.7**	**–102.1**	**–115.5**
Impairment losses	–1.8	–2.6	–1.8	–3.8
Reversals of impairment losses	–	–	–	–
Exceptionals (total)	**–56.3**	**–81.2**	**–103.9**	**–119.3**

The restructuring costs in the current fiscal year amounting to € 39.9 million (year-earlier period: € 35.6 million) mainly related to the "Fit for 2018" transformation and growth program.

Acquisition-related exceptionals amounting to € 39.6 million (year-earlier period: € 46.7 million) largely arose in connection with the planned acquisition of Sigma-Aldrich Corporation, USA.

The reconciliation of operating assets presented in the Segment Reporting to the total assets of the Group was as follows:

€ million	June 30, 2015	Dec. 31, 2014
Assets	29,803.8	26,010.1
Monetary assets (cash and cash equivalents, current financial assets, loans, securities)	–8,864.8	–5,563.1
Non-operating receivables, income tax receivables, deferred taxes and net defined benefit assets	–1,335.7	–1,380.6
Operating assets (gross)	**19,603.4**	**19,066.4**
Trade accounts payable	–1,753.6	–1,539.4
Other operating liabilities	–1,628.8	–1,815.0
Segment liabilities	**–3,382.4**	**–3,354.4**
Operating assets (net)	**16,221.0**	**15,712.0**

The adjustments to the previous year's figures of the three business sectors owing to disclosure changes to royalty, license and commission income as well as royalty, license and commission expenses (see "Accounting policies" are presented in the following tables.

HEALTHCARE | 2014 ADJUSTMENT

	2014 old structure				2014 adjustment				2014 adjusted			
€ million	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	1,555.1	1,631.1	1,668.7	1,694.4	14.2	19.6	14.9	22.4	1,569.3	1,650.8	1,683.7	1,716.8
Royalty, license and commission income	46.6	64.6	27.1	56.1	–46.6	–64.6	–27.1	–56.1	–	–	–	–
Total revenues	**1,601.7**	**1,695.7**	**1,695.9**	**1,750.6**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Cost of sales	–314.0	–308.9	–354.0	–393.6	–	–	–	–	–314.0	–308.9	–354.0	–393.6
(of which: amortization of intangible assets)	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*
Gross profit	**1,287.7**	**1,386.8**	**1,341.9**	**1,357.0**	**–32.3**	**–44.9**	**–12.2**	**–33.8**	**1,255.4**	**1,341.9**	**1,329.6**	**1,323.2**
Marketing and selling expenses	–491.1	–537.5	–509.3	–545.3	–117.7	–122.6	–115.8	–111.4	–608.8	–660.1	–625.1	–656.7
(of which: amortization of intangible assets)	*(–143.3)*	*(–143.6)*	*(–134.0)*	*(–134.6)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–143.3)*	*(–143.6)*	*(–134.0)*	*(–134.6)*
Royalty, license and commission expenses	–131.5	–134.9	–130.0	–124.5	131.5	134.9	130.0	124.5	–	–	–	–
Administration expenses	–58.5	–62.6	–62.5	–63.4	–	–	–	–	–58.5	–62.6	–62.5	–63.4
Research and development costs	–303.1	–316.5	–415.6	–330.8	–	–	–	–	–303.1	–316.5	–415.6	–330.8
(of which: amortization of intangible assets)	*(–)*	*(–)*	*(–0.6)*	*(–0.4)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–0.6)*	*(–0.4)*
Other operating expenses and income	–30.9	–58.8	54.4	–14.6	18.5	32.7	–2.0	20.7	–12.4	–26.0	52.5	6.1
Operating result (EBIT)	**272.6**	**276.6**	**278.9**	**278.4**	**–**	**–**	**–**	**–**	**272.6**	**276.6**	**278.9**	**278.4**
EBITDA	**467.1**	**483.6**	**480.7**	**515.0**	**–**	**–**	**–**	**–**	**467.1**	**483.6**	**480.7**	**515.0**
EBITDA pre exceptionals	**479.3**	**493.4**	**497.2**	**530.4**	**–**	**–**	**–**	**–**	**479.3**	**493.4**	**497.2**	**530.4**
Margin (% of net sales)	30.8	30.3	29.8	31.3	–0.3	–0.4	–0.3	–0.4	30.5	29.9	29.5	30.9

	2014 old structure			2014 adjustment			2014 adjusted		
€ million	Jan.– June	Jan.–Sept.	Jan.–Dec.	Jan.– June	Jan.–Sept.	Jan.–Dec.	Jan.– June	Jan.–Sept.	Jan.–Dec.
Net sales	3,186.2	4,855.0	6,549.4	33.9	48.8	71.2	3,220.1	4,903.7	6,620.5
Royalty, license and commission income	111.1	138.3	194.4	–111.1	–138.3	–194.4	–	–	–
Total revenues	**3,297.4**	**4,993.2**	**6,743.8**	**–**	**–**	**–**	**–**	**–**	**–**
Cost of sales	–622.9	–976.9	–1,370.4	–	–	–0.1	–622.9	–976.9	–1,370.5
(of which: amortization of intangible assets)	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*
Gross profit	**2,674.5**	**4,016.4**	**5,373.4**	**–77.3**	**–89.5**	**–123.3**	**2,597.2**	**3,926.9**	**5,250.0**
Marketing and selling expenses	–1,028.6	–1,538.0	–2,083.3	–240.3	–356.1	–467.5	–1,268.9	–1,894.1	–2,550.8
(of which: amortization of intangible assets)	*(–286.9)*	*(–420.9)*	*(–555.4)*	*(–)*	*(–)*	*(–)*	*(–286.9)*	*(–420.9)*	*(–555.4)*
Royalty, license and commission expenses	–266.4	–396.3	–520.9	266.4	396.3	520.9	–	–	–
Administration expenses	–121.1	–183.5	–246.9	–	–	–	–121.1	–183.5	–246.9
Research and development costs	–619.6	–1,035.2	–1,366.0	–	–	–	–619.6	–1,035.2	–1,366.0
(of which: amortization of intangible assets)	*(–)*	*(–0.6)*	*(–1.0)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–0.6)*	*(–1.0)*
Other operating expenses and income	–89.7	–35.3	–49.8	51.2	49.3	70.0	–38.5	14.0	20.1
Operating result (EBIT)	**549.2**	**828.1**	**1,106.4**	**–**	**–**	**–**	**549.2**	**828.1**	**1,106.4**
EBITDA	**950.7**	**1,431.4**	**1,946.4**	**–**	**–**	**–**	**950.7**	**1,431.4**	**1,946.4**
EBITDA pre exceptionals	**972.7**	**1,469.9**	**2,000.3**	**–**	**–**	**–**	**972.7**	**1,469.9**	**2,000.3**
Margin (% of net sales)	30.5	30.3	30.5	–0.3	–0.3	–0.3	30.2	30.0	30.2

LIFE SCIENCE | 2014 ADJUSTMENT

	2014 old structure				2014 adjustment				2014 adjusted			
€ million	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	656.5	658.7	660.8	706.5	0.1	–	0.1	–0.2	656.6	658.7	660.9	706.3
Royalty, license and commission income	3.9	2.8	3.6	3.7	–3.9	–2.8	–3.6	–3.7	–	–	–	–
Total revenues	**660.4**	**661.5**	**664.4**	**710.2**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Cost of sales	–276.5	–285.9	–292.1	–314.1	–	–	–	–	–276.5	–285.9	–292.1	–314.1
(of which: amortization of intangible assets)	*(–11.8)*	*(–11.8)*	*(–11.9)*	*(–12.0)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–11.8)*	*(–11.8)*	*(–11.9)*	*(–12.0)*
Gross profit	**383.9**	**375.6**	**372.3**	**396.0**	**–3.9**	**–2.8**	**–3.5**	**–3.9**	**380.0**	**372.8**	**368.8**	**392.1**
Marketing and selling expenses	–206.0	–201.6	–205.6	–231.0	–4.1	–3.4	–3.9	–4.3	–210.1	–205.0	–209.4	–235.2
(of which: amortization of intangible assets)	*(–37.4)*	*(–37.4)*	*(–38.1)*	*(–38.8)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–37.4)*	*(–37.4)*	*(–38.1)*	*(–38.8)*
Royalty, license and commission expenses	–4.1	–3.4	–3.9	–4.3	4.1	3.4	3.9	4.3	–	–	–	–
Administration expenses	–28.6	–25.8	–26.3	–29.6	–	–	–	–	–28.6	–25.8	–26.3	–29.6
Research and development costs	–38.4	–39.3	–41.8	–43.1	–	–	–	–	–38.4	–39.3	–41.8	–43.1
(of which: amortization of intangible assets)	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*
Other operating expenses and income	–19.8	–30.3	–23.0	–32.8	3.9	2.8	3.5	3.9	–16.0	–27.5	–19.5	–28.8
Operating result (EBIT)	**87.0**	**75.2**	**71.7**	**55.3**	**–**	**–**	**–**	**–**	**87.0**	**75.2**	**71.7**	**55.3**
EBITDA	**163.7**	**150.3**	**149.6**	**135.2**	**–**	**–**	**–**	**–**	**163.7**	**150.3**	**149.6**	**135.2**
EBITDA pre exceptionals	**169.7**	**165.7**	**160.5**	**162.7**	**–**	**–**	**–**	**–**	**169.7**	**165.7**	**160.5**	**162.7**
Margin (% of net sales)	25.8	25.2	24.3	23.0	–	–	–	–	25.8	25.2	24.3	23.0

	2014 old structure			2014 adjustment			2014 adjusted		
€ million	Jan.– June	Jan.–Sept.	Jan.–Dec.	Jan.– June	Jan.–Sept.	Jan.–Dec.	Jan.– June	Jan.–Sept.	Jan.–Dec.
Net sales	1,315.2	1,976.0	2,682.5	0.1	0.2	–	1,315.3	1,976.2	2,682.5
Royalty, license and commission income	6.7	10.3	14.0	–6.7	–10.3	–14.0	–	–	–
Total revenues	**1,321.9**	**1,986.3**	**2,696.5**	**–**	**–**	**–**	**–**	**–**	**–**
Cost of sales	–562.4	–854.6	–1,168.7	–	–	–	–562.4	–854.6	–1,168.7
(of which: amortization of intangible assets)	*(–23.6)*	*(–35.6)*	*(–47.6)*	*(–)*	*(–)*	*(–)*	*(–23.6)*	*(–35.6)*	*(–47.6)*
Gross profit	**759.5**	**1,131.8**	**1,527.8**	**–6.6**	**–10.2**	**–14.1**	**752.8**	**1,121.6**	**1,513.8**
Marketing and selling expenses	–407.6	–613.2	–844.1	–7.5	–11.4	–15.6	–415.1	–624.5	–859.8
(of which: amortization of intangible assets)	*(–74.8)*	*(–113.0)*	*(–151.8)*	*(–)*	*(–)*	*(–)*	*(–74.8)*	*(–113.0)*	*(–151.8)*
Royalty, license and commission expenses	–7.5	–11.4	–15.6	7.5	11.4	15.6	–	–	–
Administration expenses	–54.4	–80.7	–110.4	–	–	–	–54.4	–80.7	–110.4
Research and development costs	–77.7	–119.5	–162.6	–	–	–	–77.7	–119.5	–162.6
(of which: amortization of intangible assets)	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*
Other operating expenses and income	–50.1	–73.1	–105.9	6.6	10.2	14.1	–43.4	–63.0	–91.8
Operating result (EBIT)	**162.2**	**233.9**	**289.2**	**–**	**–**	**–**	**162.2**	**233.9**	**289.2**
EBITDA	**314.0**	**463.7**	**598.9**	**–**	**–**	**–**	**314.0**	**463.7**	**598.9**
EBITDA pre exceptionals	**335.4**	**495.9**	**658.6**	**–**	**–**	**–**	**335.4**	**495.9**	**658.6**
Margin (% of net sales)	25.5	25.1	24.6	–	–	–	25.5	25.1	24.6

PERFORMANCE MATERIALS | 2014 ADJUSTMENT

€ million	2014 old structure				2014 adjustment				2014 adjusted			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	402.2	505.7	576.1	575.6	0.1	0.1	–	–	402.3	505.8	576.1	575.6
Royalty, license and commission income	0.5	0.2	–	0.1	–0.5	–0.2	–	–0.1	–	–	–	–
Total revenues	**402.7**	**505.9**	**576.1**	**575.7**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Cost of sales	–156.9	–246.1	–300.9	–279.2	–	–	–	–	–156.9	–246.1	–300.9	–279.2
(of which: amortization of intangible assets)	*(–0.2)*	*(–1.1)*	*(–18.1)*	*(–27.0)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–0.2)*	*(–1.1)*	*(–18.1)*	*(–27.0)*
Gross profit	**245.8**	**259.8**	**275.2**	**296.5**	**–0.5**	**–0.1**	**–**	**–0.1**	**245.3**	**259.7**	**275.2**	**296.4**
Marketing and selling expenses	–35.3	–47.8	–44.2	–50.4	–0.7	–0.9	–0.6	1.2	–36.1	–48.7	–44.8	–49.3
(of which: amortization of intangible assets)	*(–2.7)*	*(–2.7)*	*(–2.7)*	*(–3.5)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–2.7)*	*(–2.7)*	*(–2.7)*	*(–3.5)*
Royalty, license and commission expenses	–0.7	–0.9	–0.6	1.2	0.7	0.9	0.6	–1.2	–	–	–	–
Administration expenses	–7.7	–14.7	–18.4	–15.2	–	–	–	–	–7.7	–14.7	–18.4	–15.2
Research and development costs	–37.7	–38.6	–45.9	–48.3	–	–	–	–	–37.7	–38.6	–45.9	–48.3
(of which: amortization of intangible assets)	*(–0.7)*	*(–0.7)*	*(–0.7)*	*(–0.7)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–0.7)*	*(–0.7)*	*(–0.7)*	*(–0.7)*
Other operating expenses and income	–12.6	–20.2	–13.9	–13.5	0.5	0.1	–	0.1	–12.2	–20.1	–13.9	–13.4
Operating result (EBIT)	**151.7**	**137.5**	**152.1**	**170.2**	**–**	**–**	**–**	**–**	**151.7**	**137.5**	**152.1**	**170.2**
EBITDA	**178.8**	**178.1**	**217.6**	**229.1**	**–**	**–**	**–**	**–**	**178.8**	**178.1**	**217.6**	**229.1**
EBITDA pre exceptionals	**186.4**	**226.3**	**242.9**	**239.2**	**–**	**–**	**–**	**–**	**186.4**	**226.3**	**242.9**	**239.2**
Margin (% of net sales)	46.3	44.8	42.2	41.6	–	–0.1	–	–	46.3	44.7	42.2	41.6

€ million	2014 old structure			2014 adjustment			2014 adjusted		
	Jan.– June	Jan.–Sept.	Jan.–Dec.	Jan.– June	Jan.–Sept.	Jan.–Dec.	Jan.– June	Jan.–Sept.	Jan.–Dec.
Net sales	907.9	1,484.0	2,059.6	0.2	0.2	0.2	908.1	1,484.2	2,059.8
Royalty, license and commission income	0.7	0.8	0.9	–0.7	–0.8	–0.9	–	–	–
Total revenues	**908.6**	**1,484.8**	**2,060.5**	**–**	**–**	**–**	**–**	**–**	**–**
Cost of sales	–403.0	–704.0	–983.2	–	–	–	–403.0	–704.0	–983.2
(of which: amortization of intangible assets)	*(–1.3)*	*(–19.4)*	*(–46.4)*	*(–)*	*(–)*	*(–)*	*(–1.3)*	*(–19.4)*	*(–46.4)*
Gross profit	**505.6**	**780.8**	**1,077.3**	**–0.6**	**–0.6**	**–0.6**	**505.0**	**780.3**	**1,076.6**
Marketing and selling expenses	–83.1	–127.3	–177.8	–1.7	–2.3	–1.1	–84.8	–129.6	–178.8
(of which: amortization of intangible assets)	*(–5.5)*	*(–8.2)*	*(–11.7)*	*(–)*	*(–)*	*(–)*	*(–5.5)*	*(–8.2)*	*(–11.7)*
Royalty, license and commission expenses	–1.7	–2.3	–1.1	1.7	2.3	1.1	–	–	–
Administration expenses	–22.5	–40.9	–56.1	–	–	–	–22.5	–40.9	–56.1
Research and development costs	–76.3	–122.3	–170.6	–	–	–	–76.3	–122.3	–170.6
(of which: amortization of intangible assets)	*(–1.4)*	*(–2.1)*	*(–2.8)*	*(–)*	*(–)*	*(–)*	*(–1.4)*	*(–2.1)*	*(–2.8)*
Other operating expenses and income	–32.9	–46.8	–60.2	0.6	0.6	0.6	–32.3	–46.2	–59.6
Operating result (EBIT)	**289.2**	**441.3**	**611.5**	**–**	**–**	**–**	**289.2**	**441.3**	**611.5**
EBITDA	**356.9**	**574.5**	**803.6**	**–**	**–**	**–**	**356.9**	**574.5**	**803.6**
EBITDA pre exceptionals	**412.8**	**655.7**	**894.8**	**–**	**–**	**–**	**412.8**	**655.7**	**894.8**
Margin (% of net sales)	45.5	44.2	43.4	–	–	–	45.5	44.2	43.4

Earnings per share

Basic earnings per share are calculated by dividing the profit after tax attributable to the shareholders of Merck KGaA, Darmstadt, Germany, by the weighted average number of theoretical shares outstanding. The calculation of the theoretical number of shares is based on the fact that the general partner's equity capital is not represented by shares. The share capital of € 168.0 million was divided into 129,242,252 shares. Accordingly, the general partner's capital of € 397.2 million was divided into 305,535,626 theoretical shares. Overall, the total capital thus amounted to € 565.2 million or 434,777,878 theoretical shares outstanding. The weighted average number of shares was likewise 434,777,878 in the first half of 2015.

As of June 30, 2015, there were no potentially dilutive shares. Diluted earnings per share corresponded to basic earnings per share.

Information on the measurement of fair value

On the reporting date, assets classified as available-for-sale financial assets and derivative financial instruments were measured at fair value.

Derivative financial instruments are used exclusively to hedge and reduce the risks of interest rate and foreign exchange positions.

The following derivative financial instruments were held as of the balance sheet date:

	Nominal volume		Fair value	
€ million	June 30, 2015	Dec. 31, 2014	June 30, 2015	Dec. 31, 2014
Cash flow hedge	10,550.3	10,041.8	37.8	313.4
Interest	100.0	650.0	–3.2	–99.9
Currency	10,450.3	9,391.8	41.0	413.3
Fair value hedge	–	–	–	–
Interest	–	–	–	–
Currency	–	–	–	–
No hedge accounting	3,487.4	3,682.6	–101.9	9.4
Interest	1,100.0	–	–96.6	–
Currency	2,387.4	3,682.6	–5.3	9.4
	14,037.7	**13,724.4**	**–64.1**	**322.8**

The maturity structure of the hedging transactions (nominal volume) were as follows as of the balance sheet date:

€ million	Remaining maturity less than 1 year	Remaining maturity more than 1 year	Total June 30, 2015	Remaining maturity less than 1 year	Remaining maturity more than 1 year	Total Dec. 31, 2014
Foreign exchange contracts	12,192.8	537.6	12,730.4	11,942.6	433.9	12,376.5
Currency options	75.8	31.5	107.3	653.1	44.8	697.9
Interest rate swaps	100.0	1,100.0	1,200.0	100.0	550.0	650.0
	12,368.6	**1,669.1**	**14,037.7**	**12,695.7**	**1,028.7**	**13,724.4**

The forward exchange contracts and currency options entered into to reduce the exchange rate risk primarily served to hedge future cash flows as well as to hedge intercompany financing in foreign currency.

The following table presents the reconciliation of the balance sheets items to the classes of financial instruments in accordance with IFRS 7 and provides information on fair value measurement:

		Subsequent measurement according to IAS 39				
€ million	Carrying amount June 30, 2015	Amortized cost	At cost	Fair value	Carrying value according to IAS 17	Non-financial items
Assets						
Cash and cash equivalents	7,774.8	7,774.8	–	–	–	–
Current financial assets	908.4	29.2	–	879.2	–	–
Held for trading (non-derivative)	–	–	–	–	–	–
Derivatives without a hedging relationship	8.4	–	–	8.4	–	–
Held to maturity	26.3	26.3	–	–	–	–
Loans and receivables	2.9	2.9	–	–	–	–
Available for sale	870.8	–	–	870.8	–	–
Derivatives with a hedging relationship	–	–	–	–	–	–
Trade accounts receivable	2,472.0	2,472.0	–	–	–	–
Loans and receivables	2,472.0	2,472.0	–	–	–	–
Other current and non-current assets	648.2	105.5	–	167.4	–	375.3
Derivatives without a hedging relationship	1.2	–	–	1.2	–	–
Loans and receivables	105.5	105.5	–	–	–	–
Derivatives with a hedging relationship	166.2	–	–	166.2	–	–
Non-financial items	375.3	–	–	–	–	375.3
Non-current financial assets	113.6	14.0	58.5	41.1	–	–
Derivatives without a hedging relationship	–	–	–	–	–	–
Held to maturity	–	–	–	–	–	–
Loans and receivables	14.0	14.0	–	–	–	–
Available for sale	99.6	–	58.5	41.1	–	–
Derivatives with a hedging relationship	–	–	–	–	–	–
Liabilities						
Current and non-current financial liabilities	8,115.7	7,957.4	–	152.9	5.4	–
Derivatives without a hedging relationship	109.9	–	–	109.9	–	–
Other liabilities	7,957.4	7,957.4	–	–	–	–
Derivatives with a hedging relationship	43.0	–	–	43.0	–	–
Finance lease liabilities	5.4	–	–	–	5.4	–
Trade accounts payable	1,753.6	1,753.6	–	–	–	–
Other liabilities	1,753.6	1,753.6	–	–	–	–
Other current and non-current liabilities	1,772.7	193.6	–	87.0	–	1,492.1
Derivatives without a hedging relationship	1.6	–	–	1.6	–	–
Other liabilities	193.6	193.6	–	–	–	–
Derivatives with a hedging relationship	85.4	–	–	85.4	–	–
Non-financial items	1,492.1	–	–	–	–	1,492.1

[1] Some of the figures as of Dec. 31, 2014 have been adjusted.

		Subsequent measurement according to IAS 39					
Fair value June 30, 2015	Book value Dec. 31, 2014[1]	Amortized cost[1]	At cost	Fair value	Carrying value according to IAS 17	Non-financial items	Fair value Dec. 31, 2014[1]
7,774.8	2,878.5	2,878.5	–	–	–	–	2,878.5
	2,199.4	24.6	–	2,174.8	–	–	
–	–	–	–	–	–	–	–
8.4	39.8	–	–	39.8	–	–	39.8
26.3	21.7	21.7	–	–	–	–	21.7
2.9	2.9	2.9	–	–	–	–	2.9
870.8	2,135.0	–	–	2,135.0	–	–	2,135.0
–	–	–	–	–	–	–	–
	2,219.5	2,219.5	–	–	–	–	
2,472.0	2,219.5	2,219.5	–	–	–	–	2,219.5
	1,282.8	168.5	–	471.4	–	642.9	
1.2	0.7	–	–	0.7	–	–	0.7
105.5	168.5	168.5	–	–	–	–	168.5
166.2	470.7	–	–	470.7	–	–	470.7
	642.9	–	–	–	–	642.9	
	94.4	13.7	66.9	13.8	–	–	
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
14.0	13.7	13.7	–	–	–	–	13.7
41.1	80.7	–	66.9	13.8	–	–	13.8
–	–	–	–	–	–	–	–
	5,637.0	5,477.5	–	153.0	6.5	–	
109.9	25.4	–	–	25.4	–	–	25.4
8,190.8	5,477.5	5,477.5	–	–	–	–	5,835.6
43.0	127.6	–	–	127.6	–	–	127.6
5.4	6.5	–	–	–	6.5	–	6.5
	1,539.4	1,539.4	–	–	–	–	
1,753.6	1,539.4	1,539.4	–	–	–	–	1,539.4
	2,356.6	696.1	–	35.4	–	1,625.1	
1.6	5.7	–	–	5.7	–	–	5.7
193.6	696.1	696.1	–	–	–	–	696.1
85.4	29.7	–	–	29.7	–	–	29.7
	1,625.1	–	–	–	–	1,625.1	

The fair value of financial assets and liabilities is based on the official market prices and market values quoted on the balance sheet date (Level 1 assets and liabilities) as well as mathematical calculation models with inputs observable in the market on the balance sheet date (Level 2 assets and liabilities). Level 1 assets comprise stocks and bonds and are classified as "available-for-sale", Level 1 liabilities comprise issued bonds and are classified as "other liabilities". Level 2 assets and liabilities are primarily liabilities to banks classified as "other liabilities", interest-bearing securities classified as "available-for-sale" as well as derivatives with and without hedging relationships. The fair values of interest-bearing securities and of debt classified as "other liabilities" are determined by discounting future cash flows using market interest rates. The fair value measurement of forward exchange contracts and currency options uses spot and forward rates as well as foreign exchange volatilities applying recognized mathematical principles. The fair value of interest rate swaps is determined with standard market valuation models using interest rate curves available in the market.

Level 3 assets comprise financial investments in equity instruments classified as available-for-sale. These relate to minority interests in a partnership. The fair value of these interests was determined through an internally performed valuation using the discounted cash flow method. Expected future cash flows based on the company's latest medium-term planning were taken into account. The planning relates to a period of five years. Cash flows for periods beyond this are included by calculating the terminal value using a long-term growth rate of 0 %. The discount rate used (after taxes) was 7.0 %.

Counterparty credit risk is taken into consideration for all valuations. In the case of non-derivative financial instruments such as other liabilities or interest-bearing securities, credit risk is taken into account by adding risk-appropriate premiums to the discount rate. In the case of derivative transactions, credit risk is taken into account by means of fair value discounts, so-called credit valuation adjustments and debit valuation adjustments.

The fair value of available-for-sale investments in equity instruments with a carrying amount of € 58.5 million (Dec. 31, 2014: € 66.9 million) could not be reliably determined since there was no quoted price for an identical instrument in the market and it is not possible to make a reliable estimate of fair value. Measurement proceeded at cost. Financial investments primarily include equity investments in various companies. There is no intention to sell

these financial instruments. The Group had no information on a market for these financial instruments.

The fair values of the financial instruments disclosed in the balance sheet and the fair values deviating substantially from the carrying amount were determined as follows:

€ million *June 30, 2015*	Assets	Liabilities
Fair value determined by official prices and quoted market values (Level 1)	**565.2**	**7,053.2**
thereof available-for-sale	565.2	–
thereof other liabilities	–	7,053.2
Fair value determined using inputs observable in the market (Level 2)	**510.1**	**1,377.5**
thereof available-for-sale	334.3	–
thereof derivatives with a hedging relationship	166.2	128.4
thereof derivatives without a hedging relationship	9.6	111.5
thereof other liabilities	–	1,137.6
Fair value determined using inputs unobservable in the market (Level 3)	**12.4**	**–**
thereof available-for-sale	12.4	–

€ million *December 31, 2014*	Assets	Liabilities
Fair value determined by official prices and quoted market values (Level 1)	**1,178.6**	**4,970.2**
thereof available-for-sale	1,178.6	–
thereof other liabilities	–	4,970.2
Fair value determined using inputs observable in the market (Level 2)	**1,470.1**	**1,053.8**
thereof available-for-sale	958.9	–
thereof derivatives with a hedging relationship	470.7	157.3
thereof derivatives without a hedging relationship	40.5	31.1
thereof other liabilities	–	865.4
Fair value determined using inputs unobservable in the market (Level 3)	**11.3**	**–**
thereof available-for-sale	11.3	–

The changes in financial assets allocated to Level 3 and measured at fair value were as follows:

€ million	2015	2014
Net book values on Jan. 1, 2015/Jan. 1, 2014	**11.3**	**–**
Additions due to acquisitions	–	10.8
Transfers into Level 3 out of Level 1/Level 2	–	–
Fair value changes		
Gains (+) / losses (–) recognized in profit or loss	–	–
Gains (+) / losses (–) recognized in other comprehensive income	1.1	0.5
Divestments	–	–
Transfers out of Level 3 into Level 1/Level 2	–	–
Net book value as of June 30, 2015/December 31, 2014	**12.4**	**11.3**

Gains and losses from Level 3 assets are reported in other comprehensive income in the consolidated statement of comprehensive income under the item "fair value adjustments" related to available-for-sale financial assets. If the discount factor used for fair value determination had been one percentage point higher, other comprehensive income would have decreased by € 2.7 million. By contrast, a decline in the discount factor by one percentage point would have increased other comprehensive income by € 3.6 million.

Related-party disclosures

As of June 30, 2015, there were liabilities by Merck Financial Services GmbH, a subsidiary of Merck KGaA, Darmstadt, Germany, and Merck & Cie, Switzerland, a subsidiary of Merck KGaA, Darmstadt, Germany, to E. Merck KG, Darmstadt, Germany, in the amount of € 762.8 million. In addition, as of June 30, 2015 Merck Financial Services GmbH, a subsidiary of Merck KGaA, Darmstadt, Germany, had receivables from Merck Capital Asset Management, Malta, which is part of the Contractual Trust Arrangement of Merck KGaA, Darmstadt, Germany, amounting to € 5.6 million and Merck KGaA, Darmstadt, Germany, had receivables from E. Merck Beteiligungen KG, Darmstadt, Germany, in the amount of € 3.2 million. The balances resulted mainly from the profit transfers by Merck & Cie, Switzerland, a subsidiary of Merck KGaA, Darmstadt, Germany, to E. Merck KG, Darmstadt, Germany, as well as the reciprocal profit transfers between Merck KGaA, Darmstadt, Germany, and E. Merck KG, Darmstadt, Germany. They included financial liabilities of € 762.7 million, which were subject to standard market interest rates.

From January to June 2015, Merck KGaA, Darmstadt, Germany, performed services for E. Merck KG, Darmstadt, Germany, and Emanuel-Merck-Vermögens-KG, Darmstadt, Germany, with a value of € 0.4 million and € 0.1 million, respectively. During the same period, E. Merck KG, Darmstadt, Germany, performed services for Merck KGaA, Darmstadt, Germany, with a value of € 0.5 million.

Subsequent events

Subsequent to the balance sheet date, no events of special importance occurred that could have a material impact on the net assets, financial position and results of operations of the Group.

Darmstadt, July 29, 2015

KARL-LUDWIG KLEY

KAI BECKMANN

BELEN GARIJO LOPEZ

MARCUS KUHNERT

STEFAN OSCHMANN

BERND RECKMANN

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements of the Group give a true and fair view of the assets, liabilities, financial position and profit or loss of the group in accordance with German accepted accounting principles, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the material opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Darmstadt, July 29, 2015

KARL-LUDWIG KLEY

KAI BECKMANN

BELÉN GARIJO LOPEZ

MARCUS KUHNERT

STEFAN OSCHMANN

BERND RECKMANN

REVIEW REPORT

To Merck Kommanditgesellschaft auf Aktien, Darmstadt, Germany:

We have reviewed the condensed interim consolidated financial statements – comprising the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Net Equity and Notes to the Interim Financial Statements – together with the interim group management report of Merck Kommanditgesellschaft auf Aktien, Darmstadt, Germany, for the period from January 1, 2015 to June 30, 2015 that are part of the half-year financial report according to § 37w WpHG (Wertpapierhandelsgesetz: – German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Frankfurt am Main, July 30, 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Original German version signed by

KARL BRAUN
Wirtschaftsprüfer

BODO RACHWITZ
Wirtschaftsprüfer

FINANCIAL CALENDAR 2015/2016

NOVEMBER →

THURSDAY, NOVEMBER 12, 2015
REPORT ON THE THIRD QUARTER

MARCH →

TUESDAY, MARCH 8, 2016
ANNUAL REPORT 2015

APRIL →

FRIDAY, APRIL 29, 2016
ANNUAL GENERAL MEETING

MAY →

THURSDAY, MAY 19, 2016
REPORT ON THE FIRST QUARTER

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