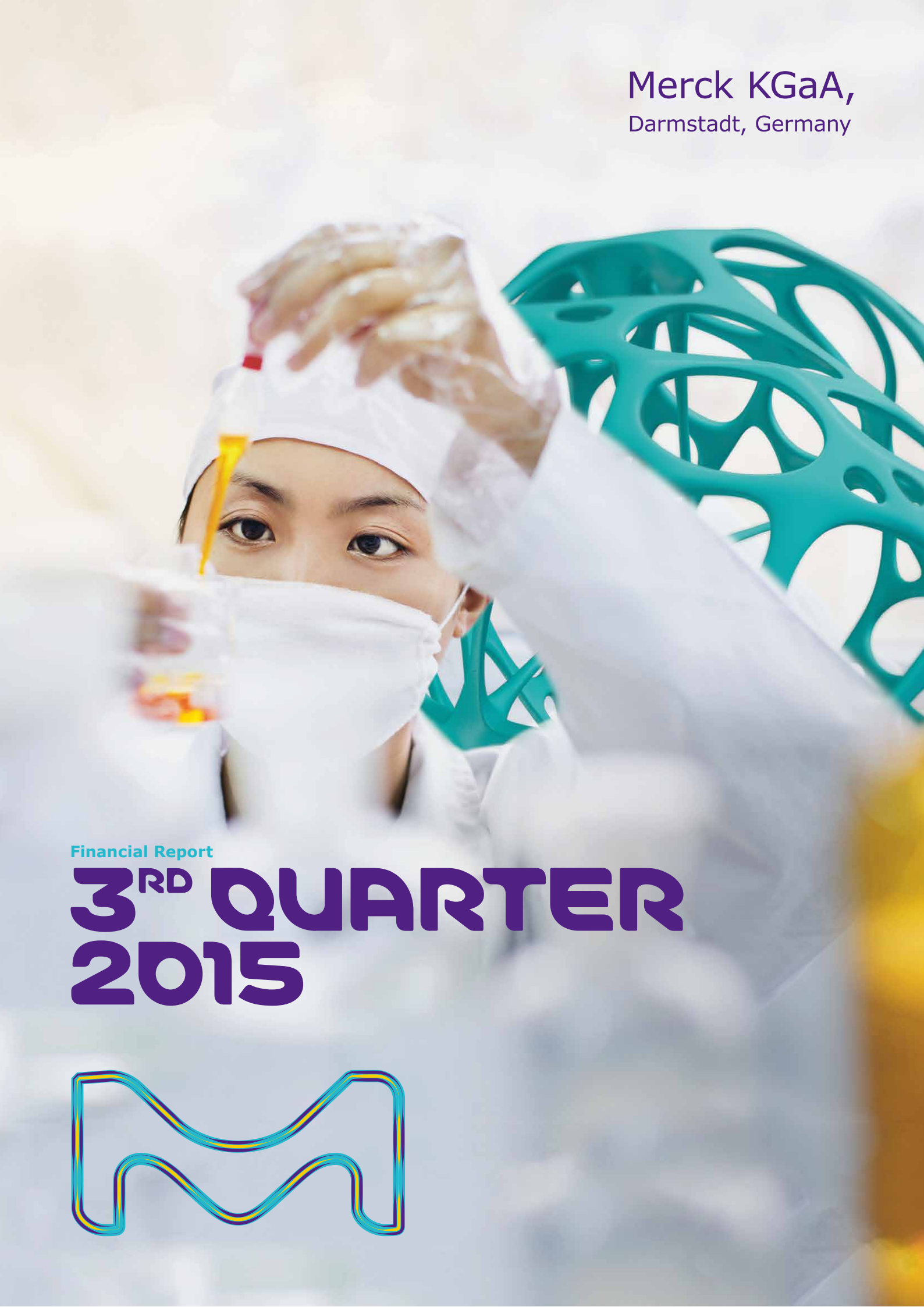
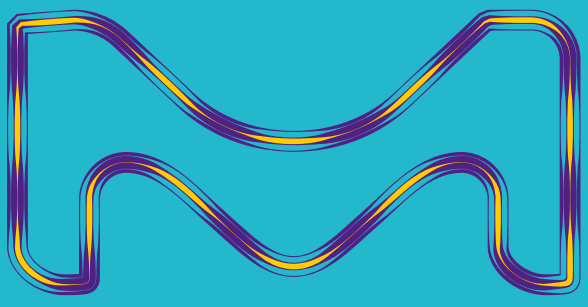
Merck KGaA,
Darmstadt, Germany



Financial Report

3RD QUARTER 2015



DISCLAIMER

IN BRIEF

GROUP

Key figures

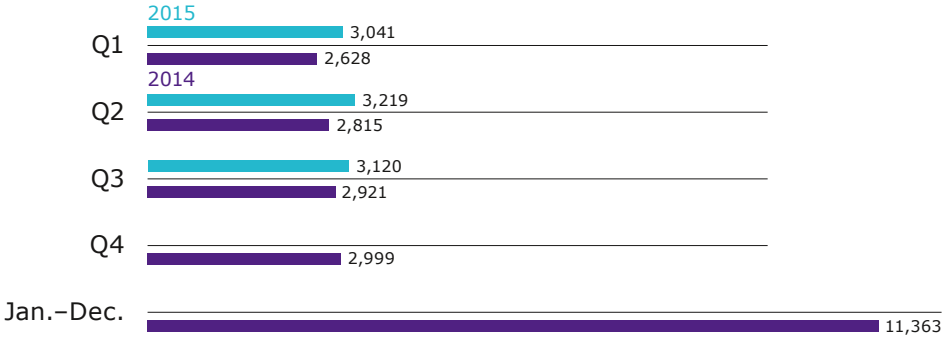
€ million	Q3 – 2015	Q3 – 2014	Change in %	Jan.–Sept. 2015	Jan.–Sept. 2014	Change in %
Net sales[1]	3,120.5	2,920.7	6.8	9,381.1	8,364.2	12.2
Operating result (EBIT)	563.8	428.9	31.4	1,545.1	1,338.2	15.5
Margin (% of net sales)[1]	18.1	14.7		16.5	16.0	
EBITDA	900.7	781.5	15.3	2,550.9	2,318.7	10.0
Margin (% of net sales)[1]	28.9	26.8		27.2	27.7	
EBITDA pre exceptionals	944.0	856.6	10.2	2,696.4	2,509.4	7.5
Margin (% of net sales)[1]	30.3	29.3		28.7	30.0	
Earnings per share (€)	0.84	0.57	47.4	2.27	2.02	12.4
Earnings per share pre exceptionals (€)	1.32	1.15	14.8	3.74	3.46	8.1
Business free cash flow	841.0	614.1	37.0	2,031.1	1,930.4	5.2

[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] – Q3 2015

€ million

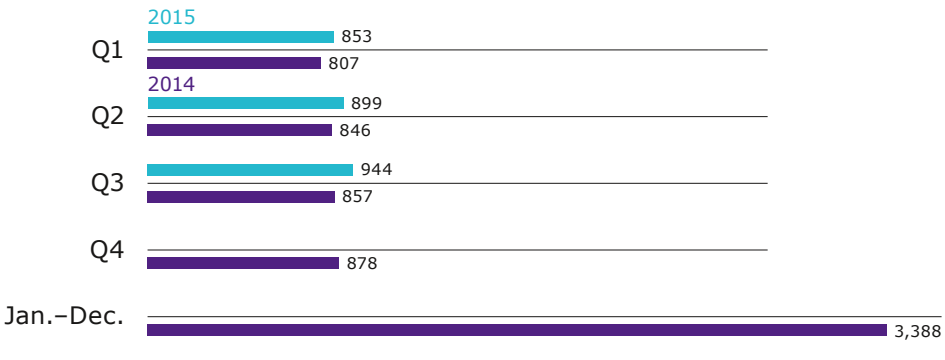


[1]The composition of net sales has changed, see "Accounting Policies" in the Notes to the interim Group accounts.

GROUP

EBITDA pre exceptionals by quarter – Q3 2015

€ million



OUR SHARES

AT A GLANCE

During the third quarter of 2015, our share price declined by around 12%, however performance was roughly in line with the relevant indices. Following initial strength, a share price correction commenced as of the middle of the quarter, similar to the case in the second quarter. This was reflected not only by the equity markets, but also by our share price.

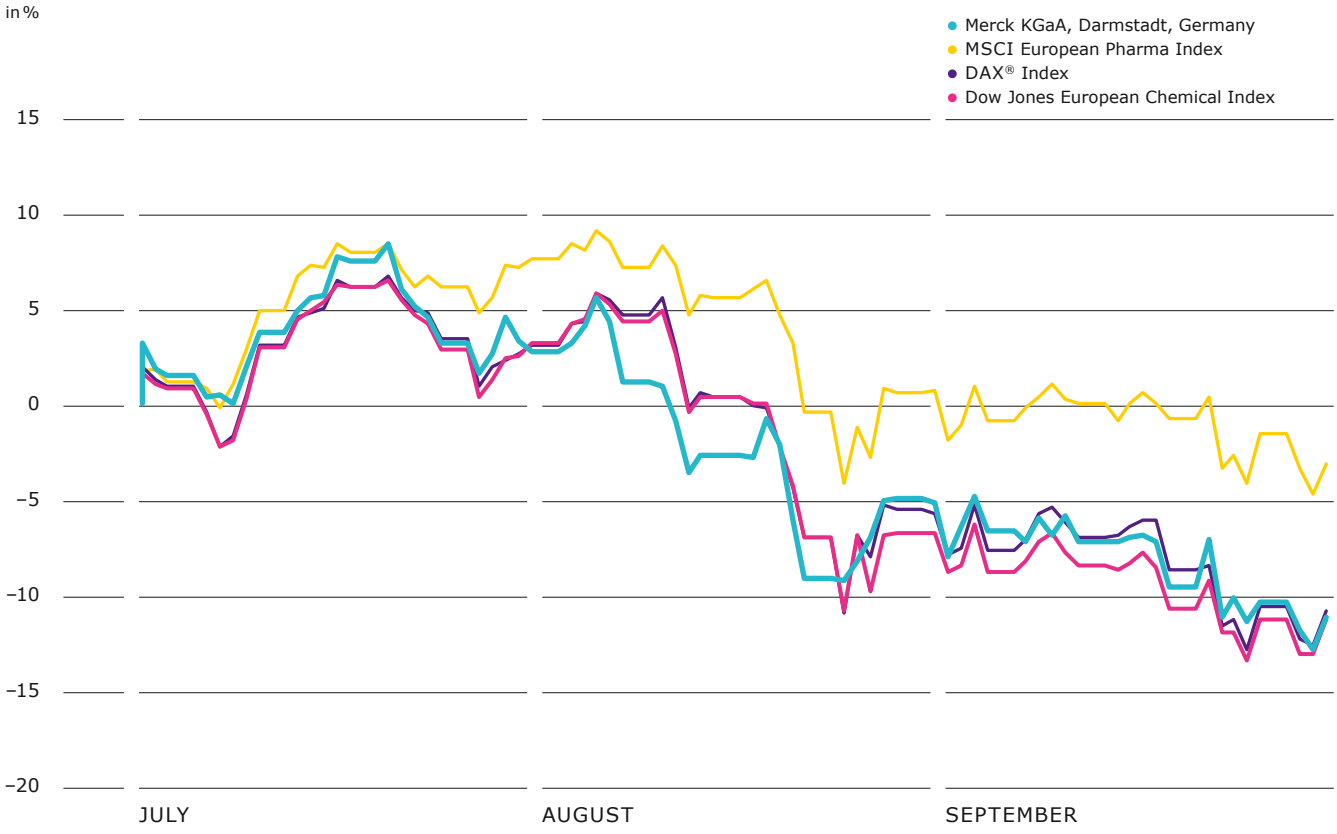
On September 30, 2015, our share price was € 79.08, which was thus around 12% below the closing price in the second quarter (€ 89.99 as of June 30, 2015) as well as around 29% below the new all-time high of € 110.91, which had been reached on April 10, 2015.

However, the performance of the company shares in the third quarter was roughly comparable with that of the relevant indices. The company shares were around 0.4 percentage points weaker than the DAX®, which also fell by nearly 12% during the same period. The Dow Jones European Chemical Index decreased by slightly more than 12%. Company shares thus marginally outperformed this index. Company shares underperformed the MSCI European Pharma Index by nine percentage points.

The pronounced weakness of the financial markets that had already begun in the second quarter continued in the third quarter and led to share price corrections, which in some cases were significant. In contrast to the second quarter, concerns about global economic activity led in the third quarter to perceptible insecurity. These uncertainties related both to emerging economies, here especially China, as well as to the extent and pace of the economic recovery in the United States.

COMPANY SHARES

Share price development from July 1, 2015 to September 30, 2015



Source: Bloomberg (closing rates)

INTERIM MANAGEMENT REPORT AS OF SEPTEMBER 30, 2015

FUNDAMENTAL INFORMATION ABOUT THE GROUP

The Group

We are a global corporate group headquartered in Darmstadt, Germany. With a history dating back nearly 350 years, Merck KGaA, Darmstadt, Germany, is the world's oldest pharmaceutical and chemical company. We hold 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.

Our product portfolio ranges from innovative pharmaceuticals and biopharmaceutical products, to specialty chemicals, high-tech materials and life science tools. Until December 31, 2014, our reporting structure consisted of four divisions: the Biopharmaceuticals division, Consumer Health, Performance Materials and the Life Science division.

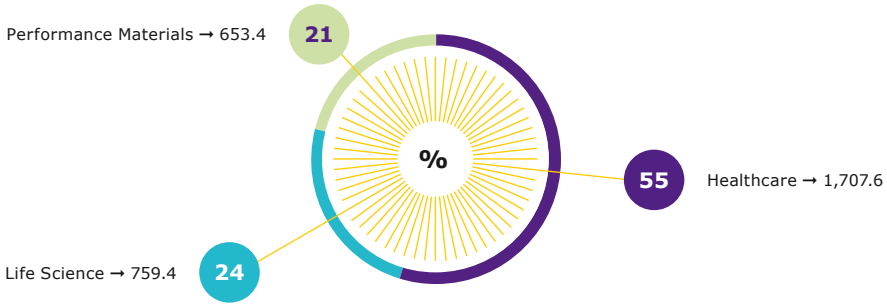
In line with its strategic direction, since January 1, 2015, the company has been organized into three business sectors: Healthcare, Life Science and Performance Materials, which comprise the Group's six businesses. This structure was reflected for the first time in the report on the first quarter of 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 40,339 employees worldwide on September 30, 2015, compared with 39,355 on September 30, 2014.

GROUP

Net sales by business sector – Q3 2015

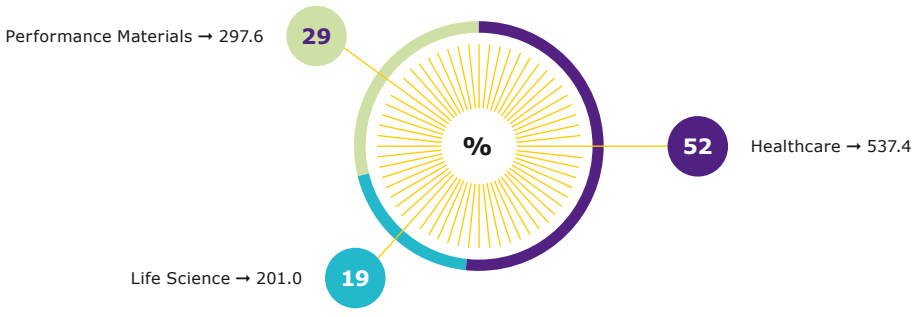
€ million / % of net sales



GROUP

EBITDA pre exceptionals by business sector – Q3 2015

€ million / in %

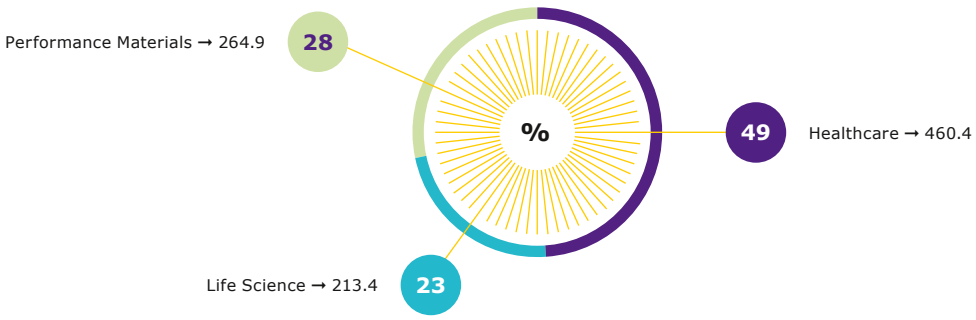


Not presented: Decline in Group EBITDA pre exceptionals by € –92.0 million due to Corporate and Other.

GROUP

Business free cash flow by business sector – Q3 2015

€ million / in %

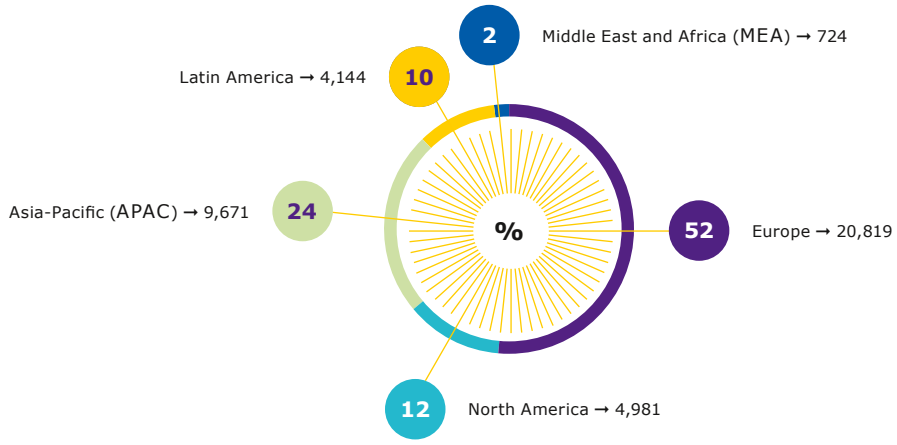


Not presented: Decline in Group business free cash flow by € –97.6 million due to Corporate and Other.

GROUP

Distribution of employees by region as of September 30, 2015

Number / in %



Healthcare

The Healthcare business sector of Merck KGaA, Darmstadt, Germany, comprises four businesses: Biopharma, Consumer Health, Biosimilars and Allergopharma. The Healthcare business sector operates under the name EMD Serono in the U.S. and Canada.

In the third quarter of 2015, the Healthcare business sector generated 55% of Group sales and 52% of EBITDA pre exceptionals (excluding Corporate and Other), making it the largest of our three business sectors.

Since January 1, 2015, Belén Garijo has been the member of the Executive Board responsible for the Healthcare business sector. The regions of Europe and North America generated 61% of Healthcare net sales in the third quarter of 2015. In recent years, we have steadily expanded the presence of the Healthcare business sector in growth markets. In the reporting period, the Asia-Pacific and Latin America regions accounted for 32% of the business sector's sales.

Biopharma

Biopharma 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 Biopharma business was formed in 2007 with the acquisition of the Swiss biopharmaceutical company Serono SA, which was integrated stepwise into the prescription drugs business. Headquartered in Darmstadt, Germany, our Biopharma business offers leading brands in specialty medicine indications.

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

Rebif® (interferon beta-1a), Biopharma's top-selling product, is used to treat relapsing forms of multiple sclerosis, which is one of the most common neurological diseases among young adults. On September 11, 2015, we announced that we had submitted a letter of intent to the European Medicines Agency (EMA) to file a Marketing Authorization Application (MAA) for our investigational treatment Cladribine Tablets for the treatment of relapsing multiple sclerosis, which initiates a process to address a number of pre-submission requirements. Our submission plan for other geographies is being further developed and executed.

Erbitux® is the second best-selling drug in our Biopharma business's 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, we entered into a global strategic alliance with Pfizer Inc. to develop and commercialize avelumab*, an investigational anti-PD-L1 antibody initially discovered by Merck KGaA, Darmstadt, Germany, and currently in development as a potential treatment for multiple tumor types. This alliance is designed to boost 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 (PF-06801591) into Phase I trials.

As part of the strategic alliance, we will co-promote Pfizer's anaplastic lymphoma kinase (ALK) inhibitor Xalkori® (crizotinib), 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 began 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® is being 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.

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. In the first year, the Group will receive a reimbursement associated with its promotion of Xalkori®, followed by an 80% (Pfizer), 20% (Merck KGaA, Darmstadt, Germany) profit sharing on the product in subsequent years.

The Biopharma business also offers products that help couples to conceive a child. We are thus the only company that has a complete and clinically proven portfolio of fertility drugs for every stage of the reproductive cycle, including recombinant versions of the three hormones needed to treat infertility. As the market leader and innovator, we support the improvement of success in Assisted Reproductive Treatment (ART) with drugs and innovative technologies, such as an automated vitrification instrument. With the partnership, we received 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. Gavi is the

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

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 highly innovative benchtop incubator with individually controlled incubation chambers per patient to minimize disruptive events and fitted with a time-lapse camera to capture images of embryos enabling the review and analysis of embryos with our Desi software. Gems is the latest generation of Genea's culture media allowing for high quality embryo cultivation. Recently a new version of the Eeva® Test was launched with the Xtend Algorithm, the advanced version of a non-invasive test to aid embryo assessment within ART. The new version builds upon the scientific and clinical record of our established Eeva® System and utilizes a new algorithm to provide a multi-dimensional model for assessing and predicting the development of embryos.

Our Biopharma business is also driving the Global Fertility Alliance, a collaboration with Illumina Inc. and Genea Ltd. to advance excellence in fertility treatments and processes within the ART laboratory.

The products in the Fertility franchise are an important growth driver for the Biopharma business. This is due to different factors, such as increasing demand in growth 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, to Concor® containing bisoprolol, the leading beta-blocker for chronic cardiovascular diseases such as hypertension, and to 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 our strong brand equity, we entered into a long-term strategic partnership with Lupin Ltd. of India to broaden the General Medicine portfolio in growth markets with affordable, high-quality medicines.

The main products of the Endocrinology franchise are Saizen® (somatropin) and Kuvan® (sapropterin dihydrochloride). We recently announced that we would return the rights for Kuvan® to BioMarin in order to fully focus on our core businesses while giving patients continued support from a partner dedicated to orphan diseases.

We remain highly committed to patients in the field of endocrinology, and in particular to advancing the treatment of growth hormone deficient patients with Saizen®. In this regard we have strengthened Saizen® promotion in major markets. In May, EMD Serono signed a deal with Aeterna Zentaris that added 53 sales representative to promote Saizen® in the United States. This comes six months after a similar deal was signed with Fujifilm Pharma in Japan. In Europe and growth markets, we have continued the launch of the easypod™ system to enable healthcare professionals to track consenting patients' adherence to therapy.

The Biopharma business is continuously working to improve ways to administer medicines and active ingredients. For several years, it 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, the only growth hormone injection device of its kind, 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 Biopharma 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 our expertise in discovery and early development, as well as approximately 25 projects in clinical development, we are 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 we are well-positioned as we 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.

We have also established a strategic alliance 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

Our allergy business Allergopharma 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 growth 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. In the U.S. and Canada, the Life Science business sector of Merck KGaA, Darmstadt, Germany operates under the name EMD Millipore.

Subsequent to the acquisition of the U.S.-based life science company Sigma-Aldrich, which we announced on September 22, 2014, the business of Sigma-Aldrich will also belong to our Life Science business sector. In the third quarter of 2015, Life Science generated 24% of Group sales and 19% of EBITDA pre exceptionals (excluding Corporate and Other). After the successful acquisition of Sigma-Aldrich, these percentages will increase significantly in subsequent quarters, thus further raising the importance of the Life Science business sector.

The combined company will serve our life science customers around the world with a highly attractive set of established brands and an efficient supply chain that can support the delivery of more than 300,000 products. In the laboratory and academia business, we will offer our customers a complementary range of products across laboratory chemicals, biologics and reagents. In pharmaceutical and biopharmaceutical production, Sigma-Aldrich will complement our existing products and capabilities with additions along the entire value chain of drug production and validation.

On August 11, 2015, we announced that antitrust approvals had been secured from all relevant jurisdictions for the acquisition of Sigma-Aldrich. Unconditional approval from the Council for Economic Defense (CADE) of Brazil, which was the final outstanding country, was received. It followed received antitrust approvals from the antitrust authorities of Israel (IAA) and South Korea (KFTC). We expect the completion of the transaction by the end of November 2015 as announced on September 28, 2015. In addition, on October 19/20, 2015 we announced the divestment of parts of the Sigma-Aldrich solvents and inorganics business in Europe to Honeywell in order to fulfill EU antitrust requirements placed on the acquisition of Sigma-Aldrich. On November 10, 2015 the EU Commission granted final clearance for the acquisition of Sigma-Aldrich. Consequently, all legal conditions for the completion of the transaction have been met.

Our Life Science business sector 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. Our 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, our products and services also reach adjacent markets, such as food and beverage. The Life Science business sector was established in 2010 following the acquisition of the Millipore Corporation. We are 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, we benefit from a broad portfolio and global reach. Our Life Science business sector 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.

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 third quarter, we announced a collaboration with the German-based company celares GmbH to provide PEGylation services to customers developing protein-based therapeutics

and biosimilars. celares GmbH is a specialist for PEGylation, a special form of drug delivery for biopharmaceuticals, especially for peptide and protein drugs. The new service offering enabled by the collaboration includes feasibility studies, process and analytical development, and scale-up from milligram to gram quantities required for pilot and subsequent commercial scale. This collaboration enables our company to expand its service offering to include conjugation, further helping its biopharmaceutical and biosimilar customers to optimize their protein therapeutics and to reduce their time to market.

In September, the Process Solutions business area also introduced enhancements to its industry-leading EMPROVE® portfolio of pharmaceutical raw materials. The expanded documentation and regulatory information facilitates drug product manufacturers' risk assessment workflows and supplier qualification. The enhancements also help drug product manufacturers meet their own internal quality guidelines as well as those recently published by the European Commission. This was the first regulatory body to formalize risk assessment requirements for pharmaceutical excipients, despite the practice being common in industry. The EMPROVE® portfolio includes approximately 400 raw and starting materials used in the manufacture of drug products and includes excipients, process chemicals and active pharmaceutical ingredients. The newest enhancements enable the selection of raw and starting materials best suited for applications, based on their risk assessment.

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, we support our customers in understanding complex biological systems and identifying new target molecules. We offer complete and validated applications to make research processes faster and more efficient.

Performance Materials

The Performance Materials business sector of Merck KGaA, Darmstadt, Germany, comprises our entire specialty chemicals business. In the U.S. and Canada, the Performance Materials business sector of Merck KGaA, Darmstadt, Germany operates under the name EMD Performance Materials. 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. In the third quarter of 2015, the business sector's share of Group sales was 21% and its share of EBITDA pre exceptionals (excluding Corporate and Other) was 29%. 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 third quarter of 2015. With a high market share, we have established ourselves 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. We have the broadest product offering in the industry and offer, 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, our UB-FFS technology (ultra-brightness fringe field switching) is a key further development. UB-FFS exploits 15% more of the display's backlight and thus saves up to 30% of the energy required by devices.

We are pursuing a strategy of leveraging our expertise in liquid crystals in order to develop new fields of application for innovative liquid crystal technology. In 2014, we 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 our long-standing cooperation partner Peer+, we are 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 our 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.

We successfully 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 Mater (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 generates 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 demand for our OLED materials has increased significantly, particularly in Asian countries. At the same time, the customer base expanded.

Objectives and strategies

In 2007, we launched a transformation process aimed at securing our 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, we embarked on the "Fit for 2018" transformation and growth program with a new executive management team. In the first phase, we created the foundation for profitable growth by introducing a new global 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. We are building on our core competencies:

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

Moreover, we are aiming to expand our 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 2014, the product base and new customer offerings were expanded by new technologies.
- With the announcement of the acquisition of Sigma-Aldrich in September 2014, the foundation was laid for enhancing our position in the attractive life science industry. The aim of the 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 2014 announcement of the agreement with Pfizer on a strategic alliance for anti-PD-L1, we want to accelerate our 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 our entry into the U.S. oncology market through the co-promotion of Xalkori®.

In line with our strategic agenda and focus on three growth platforms, effective January 1, 2015 we organizationally repositioned ourselves. The previous four divisions have been replaced by three business sectors.

- **Healthcare** comprises the Biopharma, Consumer Health, Allergopharma and Biosimilars businesses.
- In addition to EMD Millipore, **Life Science** will also include the Sigma-Aldrich business after the acquisition has been completed.
- **Performance Materials** corresponds to the business of the same name.

The strategic transformation into a specialist for innovative and top-quality high-tech solutions in Healthcare, Life Science and Performance Materials is also reflected by the composition of sales. Within the Healthcare business sector, the Biopharma business today generates more than 65%-70% of its sales with biopharmaceuticals. In 2006, we only had 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 our 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. In 2006, the share was around 30%.

General principles & Group strategy

The year 2018 will mark our 350th anniversary. 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 our business endeavors, we orient 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 our business portfolio must always be balanced so that it reflects an optimum mix of entrepreneurial opportunities and risks. We achieve this through diversification in the Healthcare, Life Science and Performance Materials business sectors, as well as through our geographic breadth with respect to growth sources.

However, the principle of sustainability applies not only to economic aspects. Instead, it also encompasses responsibility for society and environmental preservation. With our current and future product portfolio, we want 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. We are continually working on innovative products and services for patients and customers and rely on a continuous process of internal innovation throughout all areas of the company.

GROUP STRATEGY

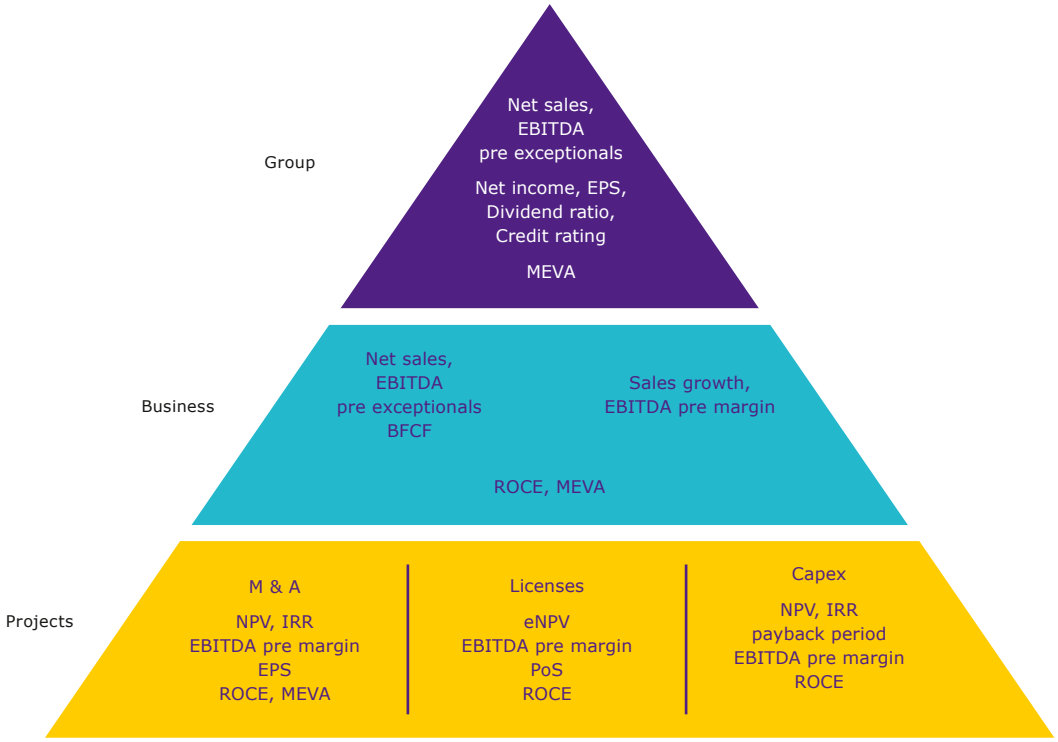
We focus on innovative and top-quality high-tech products in the Healthcare, Life Science and Performance Materials business sectors. Our goal is sustainable and profitable growth. We intend to achieve this by growing organically, further developing our competencies, as well as by making targeted acquisitions that complement and expand existing strengths in meaningful ways. Building on leading products in all its businesses, we aim to generate income that is largely independent of the prevailing economic cycles. Moreover, the aim is to further expand our strong market position in growth markets in the medium to long term. In 2014, growth markets contributed 38% to Group net sales.

Internal management system

As a global company with a diverse portfolio of products and services, we use a comprehensive framework of indicators to manage performance. The most important KPI (key performance indicator) to measure the performance is EBITDA pre exceptionals[1]. Net sales as well as business free cash flow[1] 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 Marck 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

[1] Financial indicators not defined by International Financial Reporting Standards.

Research & Development

We conduct 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, our company focused on further optimizing the relevance and efficiency of its research and development activities. For this purpose, we increased the number of new collaborations with external research and development partners.

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

We spent around € 1.7 billion on research and development in 2014. 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

BIOPHARMA

In September, the Biopharma business announced the expansion of its R&D facility in Darmstadt, Germany. We are investing € 65 million in a new laboratory building that will span more than 16,000 square meters and accommodate approximately 200 current employees whose focus will be accelerating innovation in R&D. The new building will unite different functions within R&D Discovery Technologies, including Molecular Pharmacology, Medicinal Chemistry, Computational Chemistry, Molecular Interactions and Biophysics, Protein Engineering and Antibody Technologies, and Protein and Cell Sciences. The research building, when complete in autumn 2017, will be located within the new "Pharma Square" at our global headquarters in Darmstadt. We are thus uniting a significant part of our R&D activities in a single area, creating ideal conditions for the advancement of our biopharmaceutical pipeline.

Immuno-Oncology/Oncology

On October 1, we gave an update on our progress in oncology and immuno-oncology. Regarding avelumab, our investigational fully human anti-PD-L1 IgG1 monoclonal antibody which we are developing as part of our global strategic alliance with Pfizer, we reported that over 1,000 patients have been treated and the program is on track to meet its 2015 goals of collaborating on up to 20 clinical programs, including the initiation of up to six pivotal trials. By the end of 2016, we expect more than 3,000 patients to be treated across more than 15 tumor types and lines of therapy. In early October, Merck KGaA, Darmstadt, Germany, and Pfizer announced that the U.S. Food and Drug Administration (FDA) had granted avelumab Fast Track designation for the treatment of metastatic Merkel cell carcinoma (MCC), a rare and aggressive type of skin cancer. This announcement builds on the FDA Orphan Drug designation that was granted for avelumab on September 21, 2015 for the treatment of MCC. The Fast Track designation is designed to facilitate the development and expedite the review of drugs which treat serious conditions and address an unmet medical need. The Fast Track designation relates to the clinical development program for avelumab in metastatic MCC, which includes the Phase II study JAVELIN Merkel 200 to assess the safety and efficacy of avelumab in patients with metastatic MCC who have progressed after at least one prior chemotherapy regimen. In this study, the primary endpoint is objective response rate, and secondary endpoints include duration of response, progression-free survival, overall survival and safety. The study, which exceeded its expected enrollment of 84 patients with 88 patients enrolled by the third quarter of 2015, is being conducted at sites across Asia-Pacific, Australia, Europe and North America, and is the largest clinical trial ever performed in this indication.

As announced on September 11, 2015, the Alliance of Merck KGaA, Darmstadt, Germany, and Pfizer presented six abstracts on studies evaluating the safety and efficacy of the investigational cancer immunotherapy avelumab at the annual European Cancer Congress (ECC) held in Vienna in late September. New data were presented in urothelial (e.g. bladder), mesothelioma and gastric/gastroesophageal cancers. Additional NSCLC and ovarian cancer data from Phase Ib trials were also presented, building on those previously announced at the 2015 annual meeting of the American Society of Clinical Oncology (ASCO) earlier in the year.

The initiation of a new Phase III study in non-small cell lung cancer (NSCLC) known as JAVELIN Lung 100 was announced in early November. This is designed to assess the safety and efficacy of avelumab compared with platinum-based doublet chemotherapy in 420 patients with late-stage NSCLC who have not previously received any treatment for their systemic lung cancer.

During our October 1 update, we also provided information on our investigational molecule, M7824, which has just started its first Phase I trial – an open-label, multiple-ascending dose study, targeting to enroll 106 patients. This potential first-in-class bifunctional immunotherapy is designed to simultaneously block two immuno-inhibitory pathways that are commonly used by cancer cells to evade the immune system, thereby controlling tumor growth by restoring and enhancing anti-tumor immune responses. We also provided an update on CAR-T T-cell therapies from Intrexon, which could form the next cornerstone of cancer immunotherapy. Innovative chimeric antigen receptor T-cell treatments are thought to modulate the immune system's natural ability to fight tumors.

In the broader field of oncology, we reiterated that we expect to have key data on oncology investigational agent evofosfamide, a hypoxia-activated pro drug currently being tested in clinical Phase III trials in soft tissue sarcoma and pancreatic cancer, during the fourth quarter of 2015. In addition, an update was provided on the tepotinib program, an investigational small-molecule inhibitor of the c-met receptor tyrosine kinase which is in Phase II testing in hepatocellular carcinoma and non-small cell lung cancer, as well as on the DNA-PK inhibitor M3814, which is currently in Phase I testing in patients with solid tumors and has the potential to be a first-in-class orally administered selective DNA-PK inhibitor.

Neurology/Immunology

In the field of multiple sclerosis, in early September, we announced that we intend to submit our investigational treatment Cladribine Tablets for the treatment of relapsing multiple sclerosis for registration in Europe. The decision follows our evaluation of new data and additional analyses which allow a better characterization of the compound's benefit-risk profile, and these factors have driven our decision to move forward with the registration process. The Group has submitted a letter of intent to the European Medicines Agency (EMA) to file a Marketing Authorization Application (MAA) for Cladribine Tablets, which initiates a process to address a number of pre-submission requirements. The company's submission plan for other geographies is being further developed and executed. We had wound down our clinical development program for Cladribine Tablets in 2011 after some regulatory authorities expressed concerns over the insufficient characterization of the drug's benefit-risk profile. Nevertheless, several large clinical trials were allowed to complete and additional safety information was also collected in a long-term registry.

At the European Committee for Treatment and Research in Multiple Sclerosis (ECTRIMS) in early October, eight abstracts were presented about Rebif®, the company's high-dose, high-frequency interferon beta-1a for relapsing forms of multiple sclerosis. Data presented included post-hoc assessments of controlled studies in relapsing MS of predictive scores for disease activity and disability progression, as well as a cost-effectiveness analysis of Rebif® vs Avonex® (interferon beta-1a) based on the "no evidence of disease activity" (NEDA) measure. These new data should help healthcare professionals and patients to make informed treatment decisions and to better understand the impact of Rebif® in patients with relapsing forms of MS.

In Immunology, our soluble fusion protein atacicept met an important milestone in fully completing patient enrollment into the ADDRESS II study, a Phase IIb clinical trial in patients with systemic lupus erythematosus (SLE). The target of 279 SLE patients was met ahead of schedule, and key results from the study are expected next year.

Endocrinology

In July, the European Commission (EC) authorized an update to the European marketing authorization for Kuvan® (sapropterin dihydrochloride), to allow its use in children with phenylketonuria (PKU) below 4 years of age who have been shown to be responsive to such treatment. The EC decision follows the positive recommendation from the Committee for Medicinal Products for Human Use (CHMP) in May 2015, which was based on a review of data from a Phase IIIb clinical study known as SPARK. On October 1, we announced that we had reached an agreement with BioMarin Pharmaceutical, Inc., San Rafael, California, U.S., to return the rights to Kuvan® to allow us to focus on core areas within our Healthcare business sector. The two companies also agreed that the company would return its option to develop and commercialize Peg-Pal, an investigational drug that is also designed for the treatment of PKU, an autosomal recessive genetic disorder caused by either a defect or a deficiency of the enzyme phenylalanine hydroxylase or its co-factor tetrahydrobiopterin.

During the third quarter, the Biopharma business announced its award of several Grants for Innovation. These cover outstanding extramural research projects from all over the world and were awarded on the occasion of several global medical conferences. The Grant for Growth Innovation was awarded to two research groups (from the UK and the U.S.) in early October to coincide with the 54th European Society for Paediatric Endocrinology (ESPE). The annual Grants for Multiple Sclerosis Innovation (GMSI) were awarded on the occasion of the 31st congress of the European Committee for Treatment and Research in Multiple Sclerosis (ECTRIMS) in early October to four research groups from the Netherlands, Finland, Italy, and the UK. The annual Grants for Oncology Innovation were awarded to three groups (two from Spain and one from Italy) at a ceremony coinciding with the 2015 European Cancer Congress (ECC) in late September.

CONSUMER HEALTH

In our Consumer Health business, we market 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, we have 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, we are further developing the established brand-name products of our Consumer Health business by making them simpler to use and by offering accompanying services.

ALLERGOPHARMA

Allergopharma, our allergy business, 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, we are helping develop a better understanding of the immunological mechanism that underlies the development of allergies and are actively working on the next generation of drugs for allergen immunotherapy.

Life Science

In 2015, the Life Science business sector of Merck KGaA, Darmstadt, Germany, 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 third quarter, we further advanced our research and development efforts in our Life Science business sector, supporting all five areas mentioned above. The Life Science business sector currently 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 € 41.8 million by our Life Science business sector in the third quarter, we invested significantly in R&D, representing around 6% of the business sector's net sales.

In the field of filtration, we established a new Scientific Advisory Board, which held its inaugural meeting earlier this year. The goal is to solve the toughest problems in filtration in collaboration with our customers by bringing together experts in the application space with those in the technology space. The Board consists of some of the most knowledgeable external filtration experts and renowned scientists as members as well as colleagues representing all three current business areas of our Life Science business sector. As a leader in filtration, we are committed to continuously exploring new and disruptive innovations in the field. The Advisory Board is focusing on identifying and addressing the most critical unmet needs in the area of filtration.

Also in the third quarter, the scientific publication "Methods of Molecular Biology" published two chapters on the use of our Immobilon PVDF (polyvinylidene fluoride) membranes for protein analysis, written by experts of Merck KGaA, Darmstadt, Germany. Our company was chosen because of its significant presence and contribution to Western blotting application, which is by far the most commonly used molecular biology technique. We were the first to introduce PVDF membranes (Immobilon-P) in 1986, with the Immobilon membranes representing a standard among blotting membranes to many customers.

In August, the American scientific publication "R&D Magazine" announced that it had named us as a finalist for the R&D 100 Awards in two different categories, showing the reputation of our Life Science business sector as a leader in the advancement of technology and science. The R&D 100 Awards are viewed as the "Oscars of Innovation" and recognize technologies in a wide variety of industries including telecommunications, high-energy physics, software, manufacturing, and biotechnology. In the category "Analytical/Test or Process Prototyping", the AFS Water Systems were named finalist, while in the category "Process/Prototyping", both Simplicon and pDADMAC and Clarisolve were nominated.

In September, we announced that we had published an original white paper entitled "EMD Millipore Emerging Biotech Executive Summit: Your Connection to Success", recognizing the impact the emerging biotech community has on the future of healthcare. The white paper followed the Emerging Biotech Summit held in June 2015 in Philadelphia, Pennsylvania, to which 40 biotech leaders from across the United States had been invited, representing over one hundred molecules. With both our Life Science and our Healthcare business sectors hosting the event, the goal was to establish an open dialogue within the biotech community as well as provide networking and insight from executives in alliance management, in-licensing and venture funding, to help companies advance their molecules, advance products faster through clinical development and bring lifesaving drugs to market.

The purpose of the white paper is to provide key takeaways from the meeting, highlighting perspectives on early stage investments and partnerships as well as how to build value, credibility and recognition to a company's clinical stage products or services.

Additionally, we were awarded a silver medal for our AFS Lab Water products at the 2015 American Business Awards "Stevie Awards" ceremony in San Francisco, California in September. The new Large AFS-E system was a finalist in the "Best Product – Health & Pharmaceuticals" category. The AFS-E systems help keep clinical chemistry analyzers up and running by providing large quantities of extremely pure water. Today's diagnostic labs need multiple compact water systems to feed a single analyzer or a few smaller ones. The AFS-E systems meet this need.

Performance Materials

With our Performance Materials business sector, we are 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. We are also one of the leading suppliers of decorative and functional effect pigments. Our high-tech materials and solutions 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, we have 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 tablets.

Our "LC 2021" strategic initiative combines future LC activities, with a special focus on applications apart from 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, 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 our own Innovation Center at our global headquarters in Darmstadt.

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

OLEDs

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 smart watch, a wristwatch that provides Internet access along with additional computer functionality.

The name of our product line for these types of applications is livilux®. We have 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, with printer manufacturer Seiko Epson we have established a technology that can be used to print OLED displays. While we contributed our 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.

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, we are 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 we have 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. The cosmetic ingredient RonaCare® SereneShield was recently launched. 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, we are 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 called iShield, clearly demonstrates the future potential of this area. As part of this program, as of autumn 2015 we will co-develop novel materials to shield generators and engines together with partners from industry and academia.

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. Our researchers are collaborating with their customers on introducing DSA as a standard IC manufacturing method in the coming years.

Our 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, we are 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 Q3 2015

- Group sales increase organically by 3.3%
- Slight organic sales growth in Healthcare
- Life Science delivers very strong organic sales growth of 8.1% mainly thanks to ongoing demand from the bio-pharma industry
- Performance Materials sees slight organic growth of 2.2% and maintains its market leadership position in Display Materials
- EBITDA pre exceptionals up 10.2% to € 944 million thanks to slight organic growth as well as release of R&D provisions
- Strong free cash flow increases net financial position further to € 1.3 billion
- Earning per share pre exceptionals jump 14.8% to € 1.32

GROUP

Key figures

€ million	Q3 – 2015	Q3 – 2014	Change in %	Jan.–Sept. 2015	Jan.–Sept. 2014	Change in %
Net sales[1]	3,120.5	2,920.7	6.8	9,381.1	8,364.2	12.2
Operating result (EBIT)	563.8	428.9	31.4	1,545.1	1,338.2	15.5
Margin (% of net sales)[1]	18.1	14.7		16.5	16.0	
EBITDA	900.7	781.5	15.3	2,550.9	2,318.7	10.0
Margin (% of net sales)[1]	28.9	26.8		27.2	27.7	
EBITDA pre exceptionals	944.0	856.6	10.2	2,696.4	2,509.4	7.5
Margin (% of net sales)[1]	30.3	29.3		28.7	30.0	
Earnings per share (€)	0.84	0.57	47.4	2.27	2.02	12.4
Earnings per share pre exceptionals (€)	1.32	1.15	14.8	3.74	3.46	8.1
Business free cash flow	841.0	614.1	37.0	2,031.1	1,930.4	5.2

[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 third quarter of 2015, the Group generated net sales of € 3,120 million (Q3 2014: € 2,921 million), representing an increase of around € 200 million or 6.8% compared with the year-earlier quarter. The growth in sales was driven by both positive exchange rate effects – arising from a weaker euro compared with the year-earlier quarter – and moderate organic growth. In the third quarter of 2015, organic sales growth amounted to € 98 million or 3.3%. Foreign exchange movements increased sales by € 102 million or 3.5%. Exchange rate effects were primarily due to the U.S. dollar as well as various Asian currencies, for example the Chinese renminbi and the South Korean won.

GROUP

Net sales components by business sector – Q3 2015

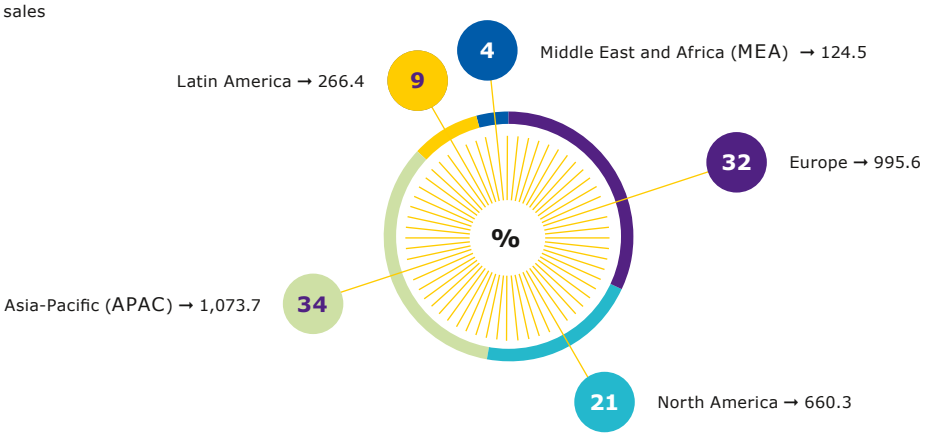
€ million/Change in %	Net sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Healthcare	1,707.6	1.9	–0.5	–	1.4
Life Science	759.4	8.1	6.8	–	14.9
Performance Materials	653.4	2.2	11.2	–	13.4
Group	**3,120.5**	**3.3**	**3.5**	**–**	**6.8**

All three business sectors of the Group contributed to sales growth in the third quarter of 2015. Around half of the increase in Group sales was due to the good performance of the Life Science business sector of Merck KGaA, Darmstadt, Germany, which recorded an absolute increase of € 98 million or 14.9% to € 759 million (Q3 2014: € 661 million). Consequently, the share of Group sales generated by Life Science grew by two percentage points to 24%. With an increase of 13.4%, the Performance Materials business sector also achieved considerable sales growth of € 77 million. Reporting net sales of € 653 million, this business sector accounted for 21% of Group sales (Q3 2014: 20%). In the third quarter of 2015, Healthcare recorded an absolute increase of € 24 million to € 1,708 million (Q3 2014: € 1,684 million), thereby generating 55% of Group sales (Q3: 2014: 58%).

GROUP

Net sales by region – Q3 2015

€ million/% of net sales



Driven by positive foreign exchange movements and strong organic growth, sales in the Asia-Pacific region rose by 17.3% or € 158 million to € 1,074 million (Q3 2014: € 916 million). Asia-Pacific thus became the top-selling region and the growth engine of the Group; around 80% of total sales growth in the third quarter of 2015 was generated in this region. All business sectors contributed to organic growth of 7.0% in this region, although this development was mainly attributable to Healthcare, which reported organic growth of 16.1%. The contribution to Group sales by the Asia-Pacific region rose by three percentage points to 34% (Q3 2014: 31%).

Net sales generated in Europe increased slightly to € 996 million (Q3 2014: € 984 million). While the Life Science and Performance Materials business sectors of Merck KGaA, Darmstadt, Germany, showed strong growth rates in this region, Healthcare sustained sales declines. This reduced Europe's contribution to Group sales in the third quarter of 2015 to 32% (Q3 2014: 34%).

Net sales in North America amounted to € 660 million (Q3 2014: € 553 million), which represents an increase of 19.4% or € 107 million compared with the year-earlier quarter. This was mainly attributable to positive currency effects caused by the

strength of the U.S. dollar, however sales also grew organically by 2.1%. The contribution to Group sales by the North America region in the third quarter of 2015 was 21%, representing an increase of two percentage points (Q3 2014: 19%).

The Latin America region sustained double-digit sales declines caused by currency effects. With sales of € 266 million (Q3 2014: € 349 million), Latin America only generated 9% of Group net sales (Q3 2014: 12%). The negative exchange rate effects mainly stemmed from the change in the translation of the Venezuelan bolivar into euros, the Group reporting currency. Details of this can be found under "Applicable foreign exchange mechanism in Venezuela" in the Notes to the interim Group accounts. Organic growth was particularly impacted by weaker demand for Healthcare products in Brazil.

Net sales in the Middle East and Africa region rose in the third quarter of 2015 by 4.7%, amounting to € 125 million (Q3 2014: € 119 million). Slight organic sales growth of 2.8% was mainly attributable to the Healthcare business sector of Merck KGaA, Darmstadt, Germany. This region accounted for an unchanged 4% of Group sales.

GROUP

Net sales components by region – Q3 2015

€ million / Change in %	Net sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Europe	995.6	1.6	–0.4	–	1.2
North America	660.3	2.1	17.4	–	19.4
Asia-Pacific (APAC)	1,073.7	7.0	10.3	–	17.3
Latin America	266.4	1.0	–24.8	–	–23.8
Middle East and Africa (MEA)	124.5	2.8	1.9	–	4.7
Group	**3,120.5**	**3.3**	**3.5**	**–**	**6.8**

In the first nine months of 2015, Group net sales grew by 12.2% to € 9,381 million (Jan.-Sept. 2014: € 8,364 million). Foreign exchange movements led to a sales increase of 7.5% or € 625 million. This was primarily attributable to the exchange rate development of the U.S. dollar, but also to the strength of the major Asian currencies.

All business sectors contributed to organic sales growth, which amounted to 2.3% in the first nine months of 2015. With a growth rate of 5.9%, Life Science achieved the strongest organic growth within the Group and generated net sales of € 2,270 million in the first nine months of 2015 (Jan.-Sept. 2014: € 1,976 million). This business sector's share of Group net sales thus amounted to 24% (Jan.-Sept. 2014: 23%). Owing to the first-time consolidation of AZ Electronic Materials as of May 2, 2014, Performance Materials increased sales by € 429 million. This was the highest absolute sales increase of all the business sectors. Performance Materials thus generated net sales of € 1,914 million in the first nine months of 2015 (Jan.-Sept. 2014: € 1,484 million), thus increasing the business sector's share of Group sales by two percentage points to 20%. With sales of € 5,197 million in the first nine months of 2015 (Jan.-Sept. 2014: € 4,904 million), Healthcare achieved a sales increase of 6.0%, which was mainly due to positive currency effects. This business sector's share of Group net sales decreased to 56% (Jan.-Sept. 2014: 59%).

In the Asia-Pacific and North America regions, double-digit growth rates were achieved, owing mainly to positive currency effects. With an organic increase of 5.1%, sales in the Asia-Pacific region amounted to € 3,111 million (Jan.-Sept. 2014: € 2,488 million). Representing a share of 33% (Jan.-Sept. 2014: 30%) of Group net sales, Asia-Pacific therefore became the Group's top-selling region. Net sales in North America amounted to € 1,909 million (Jan.-Sept. 2014: 1,588 million), thereby accounting for 20% of Group sales (Jan.-Sept. 2014: 19%). While the Latin America region saw sales grow by 6.5% to € 993 million (Jan.-Sept. 2014: € 932 million), Europe sustained a slight decline in net sales to € 3,011 million (Jan.-Sept. 2014: € 3,015 million). In the Middle East and Africa region, Group sales increased by 5.0% to € 357 million (Jan.-Sept. 2014: € 340 million).

The consolidated income statement of the Group is as follows:

GROUP

Consolidated Income Statement[1]

€ million	Q3 – 2015	Q3 – 2014	Change in %	Jan.–Sept. 2015	Jan.–Sept. 2014	Change in %
Net sales	**3,120.5**	**2,920.7**	**6.8**	**9,381.1**	**8,364.2**	**12.2**
Cost of sales	–938.8	–948.2	–1.0	–2,927.1	–2,538.3	15.3
(of which: amortization of intangible assets)	*(–40.9)*	*(–30.0)*	*(36.3)*	*(–123.8)*	*(–54.9)*	*(125.4)*
Gross profit	**2,181.7**	**1,972.5**	**10.6**	**6,454.0**	**5,825.9**	**10.8**
Marketing and selling expenses	–976.5	–879.7	11.0	–2,943.6	–2,647.3	11.2
(of which: amortization of intangible assets)	*(–189.4)*	*(–174.8)*	*(8.3)*	*(–556.8)*	*(–542.1)*	*(2.7)*
Administration expenses	–157.3	–156.0	0.8	–502.9	–439.3	14.5
Research and development costs	–417.2	–505.1	–17.4	–1,314.2	–1,279.5	2.7
(of which: amortization of intangible assets)	*(–0.7)*	*(–1.3)*	*(–49.8)*	*(–2.0)*	*(–2.8)*	*(–27.5)*
Other operating expenses and income	–67.0	–2.8	–	–148.2	–121.6	21.9
Operating result (EBIT)	**563.8**	**428.9**	**31.4**	**1,545.1**	**1,338.2**	**15.5**
Financial result	–81.4	–57.2	42.3	–222.8	–142.2	56.7
Profit before income tax	**482.4**	**371.7**	**29.8**	**1,322.3**	**1,196.0**	**10.6**
Income tax	–116.7	–122.1	–4.4	–325.6	–313.1	4.0
Profit after tax	**365.7**	**249.6**	**46.5**	**996.7**	**883.0**	**12.9**
Non-controlling interests	–1.7	–0.8	109.7	–7.6	–5.7	34.1
Net income	**364.0**	**248.8**	**46.3**	**989.1**	**877.3**	**12.7**

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

Cost of sales declined slightly to € 939 million in the third quarter of 2015 (Q3 2014: € 948 million). Consequently, the gross profit resulting from the difference between net sales and cost of sales saw a double-digit increase (+10.6%) to € 2,182 million (Q3 2014: € 1,972 million). Gross margin, i.e. gross profit as a percentage of sales, rose accordingly by more than 2 percentage points to 69.9% (Q3 2014: 67.5%).

Foreign exchange movements led to a slight increase in expenses classified as functional costs (marketing and selling, administration expenses, as well as research and development costs). The decline in research and development costs was mainly attributable to the Healthcare business sector. In the third quarter of 2015, provisions of € 31 million that had been set up in the second half of 2014 in connection with the discontinuation of clinical development programs were released. Accounting for 77% of Group R&D spending, (Q3 2014: 82%), Healthcare remained our most research-intensive business sector. The Group research spending ratio (research and development costs as a percentage of sales) amounted to 13.4% (Q3 2014: 17.3%).

The increase in other operating expenses and income (net) to € –67 million (Q3 2014: € –3 million) was mainly due to one-time income in the third quarter of 2014 from the adjustment of provisions for litigation with Israel Bio-Engineering Project Limited Partnership. In comparison with the year-earlier quarter, the third quarter of 2015 included income in connection with the alliance entered into with Pfizer in November 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®. The development of the foreign currency result from operating activities reported under other operating expenses and income contrasted with the aforementioned situation. Whereas in the prior-year quarter currency translation gains were reported, the third quarter of 2015 saw currency translation losses.

The Group operating result (EBIT) climbed € 135 million or 31.4% year-on-year to € 564 million.

The negative financial result rose by around € 24 million to € –81 million (Q3 2014: € –57 million) in the third quarter of 2015, especially as a result of higher interest expenses in connection with the financing measures for the acquisition of Sigma-Aldrich. Moreover, in the third quarter of 2015, currency translation losses were incurred, whereas in the year-earlier quarter currency translation gains had improved the financial result of the Group. Income tax expenses of € 117 million (Q3 2014: € 122 million) led to a tax ratio of 24.2% (Q3 2014: 32.9%).

Net income, i.e. profit after tax attributable to Merck KGaA, Darmstadt, Germany, shareholders, for the third quarter of 2015 soared by 46.3% to € 364 million (Q3 2014: € 249 million), leading to earnings per share of € 0.84 (Q3 2014: € 0.57).

GROUP

Reconciliation of EBIT to EBITDA pre exceptionals

€ million	Q3 – 2015	Q3 – 2014	Change in %	Jan.–Sept. 2015	Jan.–Sept. 2014	Change in %
Operating result (EBIT)	563.8	428.9	31.4	1,545.1	1,338.2	15.5
Depreciation/amortization/ impairment losses/reversals of impairment losses	336.9	352.6	–4.4	1,005.8	980.5	2.6
(of which: exceptionals)	*(0.4)*	*(3.8)*	*(–90.1)*	*(2.2)*	*(7.7)*	*(–71.5)*
EBITDA	900.7	781.5	15.3	2,550.9	2,318.7	10.0
Restructuring costs	1.8	24.2	–92.4	41.8	59.8	–30.1
Integration costs/IT costs	11.8	23.8	–50.3	33.4	58.4	–42.8
Gains/losses on the divestment of businesses	6.4	1.1	–	0.6	–5.3	–
Acquisition-related exceptionals	18.6	21.1	–11.8	58.2	67.7	–14.1
Other exceptionals	4.7	5.0	–4.6	11.5	10.0	15.2
EBITDA pre exceptionals	944.0	856.6	10.2	2,696.4	2,509.4	7.5

Adjusted for depreciation, amortization and exceptionals, EBITDA pre exceptionals, the key financial indicator used to steer operating business, rose by 10.2% to € 944 million (Q3 2014: € 857 million), resulting in an EBITDA margin pre exceptionals relative to sales of 30.3% (Q3 2014: 29.3%). Earnings per share pre exceptionals (earnings per share adjusted by net of tax effect of exceptionals and amortization of purchased intangible assets) rose by 14.8% to € 1.32 in the third quarter of 2015 (Q3 2014: € 1.15).

In the first nine months of 2015, the Group reported EBITDA pre exceptionals of € 2,696 million (Jan.-Sept. 2014: € 2,509 million), thus improving the year-earlier result by € 187 million or 7.5%. The EBITDA margin pre exceptionals fell to 28.7% (Jan.-Sept. 2014: 30.0%). Earnings per share pre exceptionals rose by 8.1% to € 3.74 in the period from January to September 2015 (Jan.-Sept. 2014: € 3.46).

NET ASSETS AND FINANCIAL POSITION

GROUP

Balance sheet structure[1]

	Sept. 30, 2015		Dec. 31, 2014		Change	
	€ million	in %	€ million	in %	€ million	in %
Non-current assets	**15,650.9**	**48.5**	**15,529.7**	**59.7**	**121.2**	**0.8**
of which:						
Intangible assets	11,405.2		11,395.5		9.7	
Property, plant and equipment	3,027.2		2,990.4		36.8	
Other non-current assets	1,218.5		1,143.8		74.7	
Current assets	**16,613.4**	**51.5**	**10,480.4**	**40.3**	**6,133.0**	**58.5**
of which:						
Inventories	1,795.6		1,659.7		135.9	
Trade accounts receivable	2,440.4		2,219.5		220.9	
Current financial assets	395.6		2,199.4		–1,803.8	
Other current assets	749.6		1,523.3		–773.7	
Cash and cash equivalents	11,232.2		2,878.5		8,353.7	
Total assets	**32,264.3**	**100.0**	**26,010.1**	**100.0**	**6,254.2**	**24.0**
Equity	**14,022.1**	**43.5**	**11,801.0**	**45.4**	**2,221.1**	**18.8**
Non-current liabilities	**12,975.6**	**40.2**	**7,607.7**	**29.2**	**5,367.9**	**70.6**
of which:						
Provisions for pensions and other post-employment benefits	1,833.1		1,820.1		13.0	
Non-current provisions	710.9		626.1		84.8	
Non-current financial liabilities	9,157.5		3,561.1		5,596.4	
Other non-current liabilities	1,274.1		1,600.5		–326.4	
Current liabilities	**5,266.6**	**16.3**	**6,601.4**	**25.4**	**–1,334.8**	**–20.2**
of which:						
Current provisions	448.5		561.7		–113.2	
Current financial liabilities	1,166.4		2,075.9		–909.5	
Trade accounts payable	1,633.6		1,539.4		94.2	
Other current liabilities	2,018.2		2,424.4		–406.2	
Total liabilities and equity	**32,264.3**	**100.0**	**26,010.1**	**100.0**	**6,254.2**	**24.0**

[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 € 32,264 million as of September 30, 2015. This represents an increase of € 6,254 million or 24.0% over December 31, 2014 (€ 26,010 million). One of the main reasons for this sharp increase was the financing measures conducted for the acquisition of Sigma-Aldrich. Following the March 2015 placement of a bond with a volume of US$ 4.0 billion, in August 2015 the Group placed further bonds with a volume of € 2.1 billion. In the first nine months of 2015, this led to cash inflows of around € 5.8 billion as well as an increase in non-current liabilities. In both June 2015 and September 2015, forward exchange contracts related to the currency hedging conducted for the expected purchase price of the acquisition of Sigma-Aldrich expired. These were renewed by follow-on transactions. This generated cash inflows of around € 1.2 billion.

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 weaker euro led to positive foreign exchange movements, which increased total assets by around € 1.0 billion as of September 30, 2015. The working capital of the Group amounted to € 2,614 million as of September 30, 2015 (Dec. 31, 2014: € 2,356 million). This 10.9% increase was mainly due to the operating business of the Group; exchange rate movements differences were also responsible for higher working capital. As of September 30, 2015, liquid assets (cash and cash equivalents as well as current financial assets: € 11,628 million), exceeded financial liabilities (€ 10,324 million) of the Group by € 1,304 million. Consequently, it was possible to completely eliminate the net financial debt of € 559 million that had existed at the beginning of fiscal 2015.

Equity rose by € 2,221 million to € 14,022 million (Dec. 31, 2014: € 11,801 million). This strong increase of 18.8% was mainly driven by profit after tax generated in the first nine months 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 derivative financial instruments (see the consolidated statement of comprehensive income in the interim Group accounts). Owing to the sharp increase in total assets, the Group equity ratio slipped by 1.9 percentage points in the reporting period, amounting to 43.5% as of September 30, 2015 (Dec. 31, 2014: 45.4%).

The free cash flow of the Group rose in the third quarter of 2015 by 11.1% to € 629 million (Q3 2014: € 566 million). The composition as well as the development of the relevant items are presented in the following table:

GROUP

Free cash flow

€ million	Q3 – 2015	Q3 – 2014	Change in %	Jan.–Sept. 2015	Jan.–Sept. 2014	Change in %
Cash flow from operating activities according to the cash flow statement	871.9	726.2	20.1	1,476.9	1,564.2	–5.6
Payments for investments in intangible assets	–115.6	–35.2	–	–135.7	–74.1	83.1
Payments from the disposal of intangible assets	0.6	0.6	–	16.8	0.6	–
Payments for investments in property, plant and equipment	–130.1	–127.8	1.8	–297.1	–269.9	10.1
Payments from the disposal of property, plant and equipment	2.1	2.3	–8.7	3.9	6.3	–38.1
Free cash flow	**628.9**	**566.1**	**11.1**	**1,064.8**	**1,227.1**	**–13.2**

The business free cash flow of the Group amounted to € 841 million in the third quarter of 2015 (Q3 2014: € 614 million), thus increasing by € 227 million or 37.0%. This improvement was attributable to the increase 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	Q3 – 2015	Q3 – 2014	Change in %	Jan.–Sept. 2015	Jan.–Sept. 2014	Change in %
EBITDA pre exceptionals	944.0	856.6	10.2	2,696.4	2,509.4	7.5
Investments in property, plant and equipment, software as well as advance payments for intangible assets	–135.9	–136.3	–0.3	–313.2	–295.1	6.1
Changes in inventories according to the balance sheet	–2.1	–37.1	–94.4	–135.9	–181.7	–25.2
Changes in trade accounts receivable and receivables from royalties and licenses according to the balance sheet	35.0	–49.3	–	–216.2	–246.8	–12.4
Adjustments first-time consolidation of AZ Electronic Materials	–	–19.8	–	–	144.6	–
Business free cash flow	**841.0**	**614.1**	**37.0**	**2,031.1**	**1,930.4**	**5.2**

In the first nine months of 2015, Group business free cash flow was € 2,031 million, thus exceeding the previous year's figure of € 1,930 million by 5.2%. This was primarily attributable to higher EBITDA pre exceptionals, whereas heavier investing activities led to higher cash outflows.

Healthcare

HEALTHCARE

Key figures

€ million	Q3 – 2015	Q3 – 2014	Change in %	Jan.–Sept. 2015	Jan.–Sept. 2014	Change in %
Net sales[1]	1,707.6	1,683.7	1.4	5,197.2	4,903.7	6.0
Operating result (EBIT)	348.6	278.9	25.0	884.2	828.1	6.8
Margin (% of net sales)[1]	20.4	16.6		17.0	16.9	
EBITDA	538.0	480.7	11.9	1,448.0	1,431.4	1.2
Margin (% of net sales)[1]	31.5	28.6		27.9	29.2	
EBITDA pre exceptionals	537.4	497.2	8.1	1,478.1	1,469.9	0.6
Margin (% of net sales)[1]	31.5	29.5		28.4	30.0	
Business free cash flow	460.4	390.6	17.9	1,143.1	1,260.2	–9.3

[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

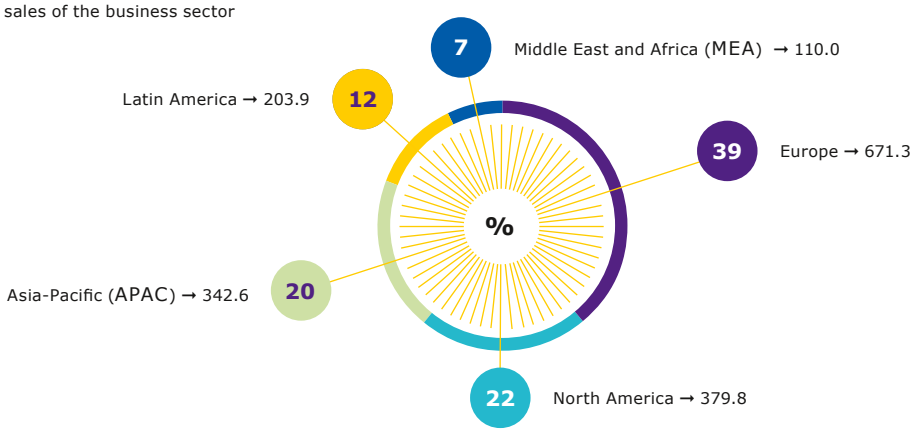
In the third quarter of 2015, the Healthcare business sector of Merck KGaA, Darmstadt, Germany, generated slight organic sales growth of 1.9%. Taking currency headwinds of –0.5% into account, net sales rose overall by 1.4% to € 1,708 million (Q3 2014: € 1,684 million). Nearly all the franchises contributed to the business sector's organic growth. In the third quarter of 2015, the organic increase in sales was driven in particular by products to treat diabetes (Glucophage®), infertility (Gonal-f®), thyroid disorders (Euthyrox®), as well as by Neurobion®, a brand marketed by the Consumer Health business. However, the two top-selling drugs Rebif® and Erbitux® sustained organic sales declines.

Commission income, which is also included in net sales, rose to € 28 million in the third quarter of 2015 (Q3 2014: € 15 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 – Q3 2015

€ million / % of net sales of the business sector



In Europe, the business sector's largest region accounting for 39% of its sales (Q3 2014: 41%), sales declined organically by –1.2%. Consequently, net sales totaled € 671 million (Q3 2014: € 688 million). The decline was especially attributable to the difficult competitive environment, especially for the multiple sclerosis treatment Rebif®.

In North America, the second-largest region in terms of sales, sales amounted to € 380 million due to a slight organic decline of –0.7%, offset by positive currency effects of 16.7% (Q3 2014: € 327 million). Sales of Rebif®, which increased to € 283 million (Q3 2014: € 248 million) owing to currency effects and a price increase in September 2015, contributed significantly to sales in this region. In the third quarter of 2015, North America's contribution to the business sector's sales increased by three percentage points to 22%.

In the Asia-Pacific region, organic sales growth of 16.1% was recorded in the third quarter of 2015. Including positive exchange rate effects of 8.7%, sales thus rose to € 343 million (Q3 2014: € 274 million). Organic growth was driven in particular by the Fertility franchise, especially in China, and the CardioMetabolic Care franchise. This region's share of Healthcare's net sales increased from 16% in the year-earlier quarter to 20% in the third quarter of 2015.

Net sales in the Latin America region amounted to € 204 million in the third quarter of 2015 (Q3 2014: € 290 million). This reflects an organic sales decline of –2.0% and unfavorable exchange rate effects of –27.6%. The organic decrease was mainly attributable to the development of Rebif® and Erbitux® sales in Brazil. The negative currency effects mainly stemmed from the translation of the Venezuelan bolivar into the reporting currency euros. Details of this can be found under "Applicable foreign exchange mechanism in Venezuela" in the Notes to the interim Group accounts. The region's contribution to net sales of the Healthcare business sector thus fell by five percentage points to 12%.

With net sales of € 110 million (Q3 2014: € 104 million), the Middle East and Africa region recorded an organic sales increase of 3.4%, mainly in the CardioMetabolic Care franchise. Positive currency effects increased sales by 2.2%.

HEALTHCARE

Net sales components by region – Q3 2015

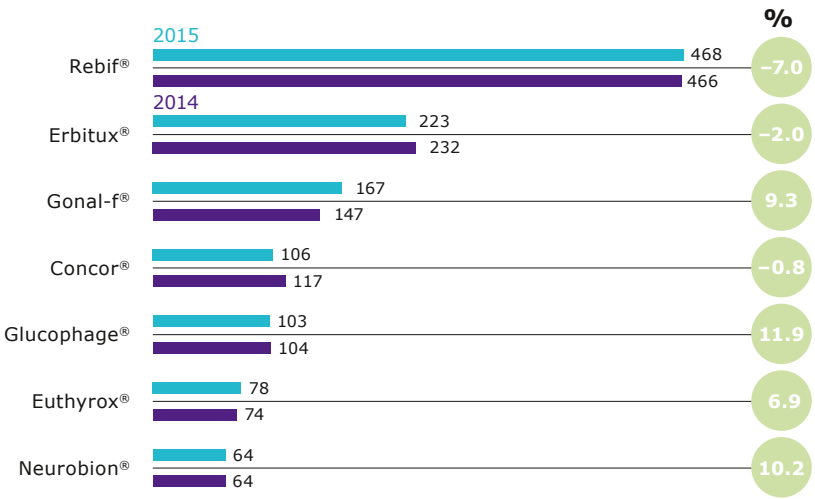
€ million / Change in %	Net sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Europe	671.3	–1.2	–1.3	–	–2.5
North America	379.8	–0.7	16.7	–	16.0
Asia-Pacific (APAC)	342.6	16.1	8.7	–	24.9
Latin America	203.9	–2.0	–27.6	–	–29.6
Middle East and Africa (MEA)	110.0	3.4	2.2	–	5.6
Healthcare	**1,707.6**	**1.9**	**–0.5**	**–**	**1.4**

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

HEALTHCARE

Product Sales and organic growth – Q3 2015

€ million/Organic growth in %



Sales of Rebif®, which is used to treat relapsing forms of multiple sclerosis, declined organically by –7.0% in the third quarter of 2015 due to continued competitive pressure, especially from oral formulations. Amid positive currency effects of 7.4%, sales of Rebif® amounted to € 468 million (Q3 2014: € 466 million).

The North America region, which generated 61% of Rebif® sales (Q3 2014: 53%) and is the largest market for this product, saw a double-digit sales increase to € 283 million (Q3 2014: € 248 million). In particular, the strong U.S. dollar (currency effect +17.0%) had a positive impact on sales. Compared with the year-earlier quarter, sales decreased organically by –2.8%.

In Europe, which accounts for 33% of sales (Q3 2014: 38%) and is the second-largest region for the product, sales of Rebif® declined organically by –9.5% to € 155 million (Q3 2014: € 176 million) due to competition. Together, the remaining regions Latin America, Middle East and Africa, and Asia-Pacific accounted for a 6% share of Rebif® sales (Q3 2014: 9%).

Including negative currency effects of –1.6%, which were primarily attributable to the translation of the Venezuelan bolivar, the oncology drug Erbitux® generated sales of € 223 million (Q3 2014: € 232 million). Organic sales declines were recorded in all regions in which the Group holds the marketing rights.

In Europe, which accounted for 56% (Q3 2014: 54%) of Erbitux® sales and is thus the top-selling region for this product, sales declined organically by –0.1%. Including negative currency effects, (–0.4%), sales amounted to € 124 million (Q3 2014: € 125 million).

Asia-Pacific, which accounted for a 30% (Q3 2014: 28%) share of total Erbitux® sales, generated an increase in Erbitux® sales to € 68 million (Q3 2014: € 65 million). Positive currency effects more than offset the organic sales decline, which was attributable, among other things, to inventory reductions in several markets.

In Latin America, the business sector generated sales of € 19 million with the oncology drug (Q3 2014: € 30 million). The overall –34.7% decline in sales was mainly attributable to negative currency effects and an organic sales decline in Brazil.

This region's contribution to total Erbitux® sales thus decreased to 9% (Q3 2014: 13%).

In the Middle East and Africa region, sales amounted to € 12 million and were thus flat.

HEALTHCARE

Product sales and organic growth of Rebif® and Erbitux® by region – Q3 2015

		Total	Europe	North America	Asia-Pacific (APAC)	Latin America	Middle East and Africa (MEA)
Rebif®	€ million	467.5	155.5	282.7	3.9	13.9	11.5
	Organic growth in %	–7.0	–9.5	–2.8	–11.0	–28.5	–12.1
	% of sales	100	33	61	1	3	2
Erbitux®	€ million	223.2	124.3	–	68.0	19.3	11.5
	Organic growth in %	–2.0	–0.1	–	–1.1	–9.8	–8.1
	% of sales	100	56	–	30	9	5

In the third quarter of 2015, the Healthcare business sector of Merck KGaA, Darmstadt, Germany, generated organic sales growth of 9.3% with the fertility medicine Gonal-f®. Including positive currency effects, sales rose to € 167 million (Q3 2014: € 147 million). Sales of this product showed the strongest growth in the Asia-Pacific region.

Sales by the Endocrinology franchise, which mainly consists of products to treat metabolic and growth disorders, amounted to € 113 million, thus considerably exceeding the year-earlier figure (Q3 2014: € 99 million). Apart from positive currency effects of 4.4%, this was attributable to organic growth of 9.8%. Sales of the growth hormone Saizen®, the top-selling product of this franchise, saw an organic increase of 7.1% as well as negative exchange rate effects of –1.0%. Consequently, sales amounted to € 64 million (Q3 2014: € 60 million).

The General Medicine franchise (including CardioMetabolic Care), which commercializes products to treat cardiovascular diseases and diabetes, among others, generated organic sales growth of 1.8%. Including negative foreign exchange movements of –7.6%, mainly in Venezuela, sales amounted to € 414 million (Q3 2014: € 440 million).

Glucophage®, which is used for the treatment of diabetes, delivered a good organic sales increase of 11.9%. Taking into account negative exchange rate effects, at € 103 million net sales were flat (Q3 2014: € 104 million). Organic sales growth was mainly achieved in the Middle East and Africa region.

In the third quarter of 2015, the Consumer Health business achieved sales of € 200 million (Q3 2014: € 204 million) with its over-the-counter pharmaceuticals. The slight –2.3% decline in sales was primarily attributable to negative currency effects of –7.9%, especially caused by the translation of the Venezuelan bolivar. Organic growth of 5.6% could not offset this effect.

Organic sales growth was mainly driven by Europe, which accounted for a 51% share of Consumer Health sales (Q3 2014: 46%). The strategic brands Neurobion® and Dolo-Neurobion® were the main drivers of organic sales growth.

During the first nine months of 2015, net sales of the Healthcare business sector increased by 6.0% to € 5,197 million (Jan.-Sept 2014: € 4,904 million). Reported sales reflect organic growth of 1.2% as well as positive currency effects of 4.7%, which mainly stemmed from the U.S. dollar and the Chinese renminbi.

With Rebif®, the business sector generated net sales of € 1,358 million (Jan.-Sept. 2014: € 1,389 million) in the first nine months of 2015. Despite positive exchange rate effects of 9.4%, Rebif® sales decreased overall by –2.2% owing to an organic sales decline of –11.6%.

At € 661 million, sales of Erbitux®, Healthcare's second top-selling product, were slightly below the previous year's level (Jan.-Sept. 2014: € 670 million). Positive currency effects could

not offset the organic sales decline of –3.2%. In Europe, the top-selling region for Erbitux®, sales of the product slipped organically by –2.0%, leading to sales of € 370 million (Jan.-Sept. 2014: € 377 million) in the nine-month period.

In the first nine months of 2015, sales of the Consumer Health business soared by 13.1% to € 644 million (Jan.-Sept. 2014: € 569 million). This was attributable to organic sales growth of 11.3% and positive currency effects of 1.8%. Organic sales growth was mainly generated in Latin America. Here, the growth rate was 14.1% and was especially supported by demand for the strategic brands Neurobion® and Dolo-Neurobion®, as well as local brands.

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

HEALTHCARE

Results of operations[1]

€ million	Q3 – 2015	Q3 – 2014	Change in %	Jan.–Sept. 2015	Jan.–Sept. 2014	Change in %
Net sales	**1,707.6**	**1,683.7**	**1.4**	**5,197.2**	**4,903.7**	**6.0**
Cost of sales	–333.8	–354.0	–5.7	–1,108.1	–976.9	13.4
(of which: amortization of intangible assets)	*(–0.2)*	*(–)*	*(–)*	*(–0.7)*	*(–)*	*(–)*
Gross profit	**1,373.8**	**1,329.6**	**3.3**	**4,089.0**	**3,926.9**	**4.1**
Marketing and selling expenses	–683.3	–625.1	9.3	–2,073.2	–1,894.1	9.5
(of which: amortization of intangible assets)	*(–144.6)*	*(–134.0)*	*(7.9)*	*(–422.7)*	*(–420.9)*	*(0.4)*
Administration costs	–59.6	–62.5	–4.6	–195.0	–183.5	6.2
Research and development costs	–321.6	–415.6	–22.6	–1,027.4	–1,035.2	–0.8
(of which: amortization of intangible assets)	*(–0.4)*	*(–0.6)*	*(–40.1)*	*(–1.1)*	*(–0.6)*	*(80.0)*
Other operating expenses and income	39.3	52.5	–25.2	90.7	14.0	–
Operating result (EBIT)	**348.6**	**278.9**	**25.0**	**884.2**	**828.1**	**6.8**
Depreciation/amortization/impairment losses/ reversals of impairment losses	189.3	201.8	–6.2	563.8	603.3	–6.5
(of which: exceptionals)	*(–0.1)*	*(0.2)*	*(–)*	*(1.7)*	*(4.1)*	*(–57.3)*
EBITDA	**538.0**	**480.7**	**11.9**	**1,448.0**	**1,431.4**	**1.2**
Restructuring costs	–0.7	16.0	–	29.6	36.9	–19.7
Integration costs/IT costs	0.1	0.6	–74.1	0.5	1.7	–72.8
Gains/losses on the divestment of businesses	–	–	–	–	–	–
Acquisition-related exceptionals	–	–	–	–	–	–
Other exceptionals	–	–	–	–	–	–
EBITDA pre exceptionals	**537.4**	**497.2**	**8.1**	**1,478.1**	**1,469.9**	**0.6**

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

The gross profit of the Healthcare business sector grew by € 44 million or 3.3% to € 1,374 million (Q3 2014: € 1,330 million), leading to a gross margin of 80.5% (Q3 2014: 79.0%). In the year-earlier quarter, manufacturing bottlenecks for several products adversely impacted cost of sales.

Due to ongoing investments in growth markets as well as foreign exchange effects, marketing and selling expenses were higher in the third quarter of 2015 than in the year-earlier quarter.

The decline in research and development costs was mainly due to one-time effects in connection with the discontinuation of clinical development projects that had increased research and development costs in the year-ago quarter. In the third quarter of 2015, the relevant provisions amounting to € 31 million were released, thus lowering research and development costs. As a result, the business sector's research spending ratio declined to 18.8% (Q3 2014: 24.7%).

The development of other operating expenses and income (net) was primarily attributable to one-time effects in the year-earlier quarter. On the one hand, the adjustment of provisions for litigation with Israel Bio-Engineering Project Limited Partnership (IBEP) led to higher income whereas on the other hand, the discontinuation of the aforementioned clinical development projects led to impairment losses on intangible assets. Moreover, in contrast to the year-earlier quarter, income was generated in the third quarter of 2015 in connection with the alliance entered into with Pfizer in 2014 to co-develop and co-commercialize active ingredients in immuno-oncology.

After adjusting for depreciation, amortization and exceptionals, EBITDA pre exceptionals, the key financial indicator used to steer operating business, rose to € 537 million (Q3 2014: € 497 million). The EBITDA margin pre exceptionals increased to 31.5% (Q3 2014: 29.5%).

In the first nine months of 2015, Healthcare recorded EBITDA pre exceptionals of € 1,478 million (Jan.-Sept. 2014: € 1,470 million), thus slightly exceeding the previous year's level. The positive development of sales more than offset the decline in earnings caused by both higher cost of sales and investments in growth markets.

The resulting EBITDA margin pre exceptionals decreased to 28.4% (Jan.-Sept. 2014: 30.0%).

DEVELOPMENT OF BUSINESS FREE CASH FLOW

Business free cash flow of the Healthcare business sector of Merck KGaA, Darmstadt, Germany, climbed in the third quarter of 2015 by € 70 million to € 460 million (Q3 2014: € 391 million). Aside from the increase in EBITDA pre exceptionals, higher business free cash flow was also driven by the development of receivables.

Whereas receivables increased by € 42 million in the year-earlier quarter, this balance sheet item rose by only € 3 million in the third quarter of 2015.

HEALTHCARE

Business free cash flow

€ million	Q3 – 2015	Q3 – 2014	Change in %	Jan.–Sept. 2015	Jan.–Sept. 2014	Change in %
EBITDA pre exceptionals	537.4	497.2	8.1	1,478.1	1,469.9	0.6
Investments in property, plant and equipment, software as well as advance payments for intangible assets	–75.8	–54.0	40.4	–146.2	–124.8	17.1
Changes in inventories	2.1	–10.5	–120.4	–27.2	–26.7	2.1
Changes in trade accounts receivable as well as receivables from royalties and licenses	–3.3	–42.2	–92.2	–161.6	–58.2	177.5
Business free cash flow	**460.4**	**390.6**	**17.9**	**1,143.1**	**1,260.2**	**–9.3**

Owing to weaker business free cash flow in the first two quarters of 2015, in the period from January to September 2015 Healthcare could not achieve the good year-earlier figure. In the first nine months of 2015, business free cash flow declined by –9.3%, or € 117 million, to € 1,143 million (Jan.-Sept. 2014: € 1,260 million). This development was primarily attributable to the high amount of capital tied up in receivables in the first half of 2015.

Life Science

LIFE SCIENCE

Key figures

€ million	Q3 – 2015	Q3 – 2014	Change in %	Jan.–Sept. 2015	Jan.–Sept. 2014	Change in %
Net sales[1]	759.4	660.9	14.9	2,270.2	1,976.2	14.9
Operating result (EBIT)	96.8	71.7	35.0	266.3	233.9	13.9
Margin (% of net sales)[1]	12.7	10.8		11.7	11.8	
EBITDA	180.0	149.6	20.3	513.8	463.7	10.8
Margin (% of net sales)[1]	23.7	22.6		22.6	23.5	
EBITDA pre exceptionals	201.0	160.5	25.2	585.0	495.9	18.0
Margin (% of net sales)[1]	26.5	24.3		25.8	25.1	
Business free cash flow	213.4	108.5	96.6	437.8	288.4	51.8

[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

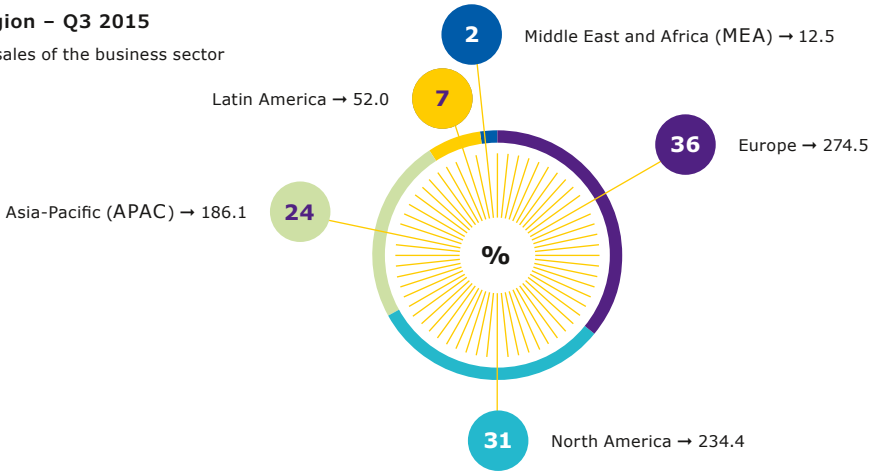
In the third quarter of 2015, the Life Science business sector of Merck KGaA, Darmstadt, Germany, reported very strong organic sales growth of 8.1%, which was mainly driven by the positive business development of the Process Solutions business area as well as solid organic sales growth of Lab Solutions and Bioscience.

In addition to the organic increase, sales were boosted by strong positive foreign exchange effects of 6.8%. As a result, Life Science sales increased overall by 14.9% to € 759 million.

LIFE SCIENCE

Net sales by region – Q3 2015

€ million / % of net sales of the business sector



From a geographic perspective all regions contributed positively to organic sales growth. Sales in Europe, the business sector's largest market accounting for 36% (Q3 2014: 37%) of its sales, increased organically by 8.7%. This was mainly driven by demand from global key accounts for Process Solutions products, as well as by sales generated by Molecular & Cell Biology Systems and Biomonitoring products.

In North America, Life Science achieved strong organic growth of 7.1% driven by viral clearance, purification and single-use products. Lab Solutions continued to perform relatively well, generating moderate organic growth, while the Bioscience business area still faced challenges in this region. Overall, North America sales increased to € 234 million (Q3 2014: € 187 million), contributing 31% (Q3 2014: 28%) to Life Science's sales in the third quarter of 2015.

In Asia-Pacific, sales grew organically by 7.2%, particularly thanks to strong sales performance in India, Singapore and South Korea. Lastly, foreign currency appreciation had a positive effect on sales. Overall, Asia-Pacific sales increased to € 186 million (Q3 2014: € 163 million), contributing 24% (Q3 2014: 25%) to Life Science's sales in the third quarter of 2015.

In Latin America, the Life Science business sector grew organically by 13.4%, with all business areas contributing to the organic development of the region. This strong organic growth was lowered by currency headwinds of –9.8% which translated into net sales for the region of € 52 million (Q3 2014: € 50 million).

In Middle East and Africa, sales grew organically by 0.7% amid negative foreign currency effects of –1.1%. Net sales for the region thus totaled € 12 million (Q3 2014: € 13 million).

LIFE SCIENCE

Net sales components by region – Q3 2015

€ million / Change in %	Net sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Europe	274.5	8.7	2.0	–	10.6
North America	234.4	7.1	18.5	–	25.5
Asia-Pacific (APAC)	186.1	7.2	6.7	–	13.9
Latin America	52.0	13.4	–9.8	–	3.6
Middle East and Africa (MEA)	12.5	0.7	–1.1	–	–0.4
Life Science	**759.4**	**8.1**	**6.8**	**–**	**14.9**

Process Solutions sales grew organically by 13.8%, driven mainly by purification and viral clearance products.

Sales by the Lab Solutions business area increased 3.6% organically. Biomonitoring, Lab Water, as well as OEM Diagnostics products, for example for blood typing and lateral flow, contributed to growth.

Bioscience sales grew by 3.0% organically thanks to the demand for molecular and cell biology systems as well as separation and preparation products. The reagents and antibodies business continued to suffer from weak demand, especially in North America and Europe.

LIFE SCIENCE

Net sales components by business area – Q3 2015

€ million / Change in %	Net sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Bioscience	109.7	3.0	9.2	–	12.1
Lab Solutions	288.4	3.6	3.8	–	7.5
Process Solutions	361.3	13.8	8.8	–	22.6

During the first nine months of 2015, organic growth and currency effects increased sales by 5.9% and 9.3%, respectively, to € 2,270 million (Jan.-Sept. 2014: € 1,976 million). Strong organic growth was driven by Process Solutions (+10.1%), while Lab Solutions posted an organic increase of 3.3%. Process Solutions growth was attributable to strong demand from key accounts as well as to sales generated by single-use products and service activities.

Lab Solutions growth was mainly driven by the Biomonitoring and Lab Water business fields.

Organic sales by the Bioscience business area were flat in the nine-month period. The increases generated by demand for molecular and cell biology systems and separation and preparation products fields were offset by sales of reagents and antibodies, which continued to decline.

The results of operations developed as follows:

LIFE SCIENCE

Results of operations[1]

€ million	Q3 – 2015	Q3 – 2014	Change in %	Jan.–Sept. 2015	Jan.–Sept. 2014	Change in %
Net sales	**759.4**	**660.9**	**14.9**	**2,270.2**	**1,976.2**	**14.9**
Cost of sales	–318.0	–292.1	8.9	–965.0	–854.6	12.9
(of which: amortization of intangible assets)	*(–12.5)*	*(–11.9)*	*(4.6)*	*(–37.2)*	*(–35.6)*	*(4.8)*
Gross profit	**441.4**	**368.8**	**19.7**	**1,305.2**	**1,121.6**	**16.4**
Marketing and selling expenses	–237.9	–209.4	13.6	–715.0	–624.5	14.5
(of which: amortization of intangible assets)	*(–41.4)*	*(–38.1)*	*(8.6)*	*(–123.7)*	*(–113.0)*	*(9.5)*
Administration costs	–29.6	–26.3	12.4	–88.4	–80.7	9.6
Research and development costs	–45.1	–41.8	7.8	–138.7	–119.5	16.0
(of which: amortization of intangible assets)	*(–0.1)*	*(–)*	*(–)*	*(–0.4)*	*(–)*	*(–)*
Other operating expenses and income	–32.0	–19.5	64.2	–96.8	–63.0	53.8
Operating result (EBIT)	**96.8**	**71.7**	**35.0**	**266.3**	**233.9**	**13.9**
Depreciation/amortization/impairment losses/ reversals of impairment losses	83.3	77.9	6.8	247.4	229.8	7.7
(of which: exceptionals)	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*
EBITDA	**180.0**	**149.6**	**20.3**	**513.8**	**463.7**	**10.8**
Restructuring costs	0.2	2.0	–90.7	4.0	7.4	–46.2
Integration costs/IT costs	3.0	9.0	–66.1	10.7	25.1	–57.4
Gains/losses on the divestment of businesses	–	–0.1	–	–	–0.3	–
Acquisition-related exceptionals	17.8	–	–	56.5	–	–
Other exceptionals	–	–	–	–	–	–
EBITDA pre exceptionals	**201.0**	**160.5**	**25.2**	**585.0**	**495.9**	**18.0**

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

As a consequence of the increase in net sales, gross profit increased by 19.7% to € 441 million. The improvement was mainly attributable to a favorable product mix and positive price developments.

The increase in marketing and selling expenses was driven mainly by investments in the field force and unfavorable foreign exchange movements. Higher research and development costs were due to the ongoing innovation program and the negative foreign exchange impact.

In comparison with the year-earlier quarter, the operating result (EBIT) of Life Science rose by 35.0% to € 97 million. After eliminating depreciation and amortization, and adjusted for exceptionals, EBITDA pre exceptionals, the most important performance indicator, climbed 25.2% to € 201 million. Conse-

quently, the EBITDA pre exceptionals margin rose in the third quarter of 2015 to 26.5% (Q3 2014: 24.3%).

During the first nine months of 2015, EBITDA pre exceptionals of Life Science rose by 18.0%, to € 585 million, reflecting good operating business performance. In comparison with the year-earlier period, the EBITDA pre exceptionals margin increased to 25.8% (Jan.-Sept. 2014: 25.1%).

DEVELOPMENT OF BUSINESS FREE CASH FLOW

In the third quarter of 2015, the Life Science business sector of Merck KGaA, Darmstadt, Germany, generated business free cash flow of € 213 million, equivalent to an increase of 96.6% compared with the year-earlier quarter. This very good result was mainly driven by EBITDA pre exceptionals as well as the decrease in receivables.

LIFE SCIENCE

Business free cash flow

€ million	Q3 – 2015	Q3 – 2014	Change in %	Jan.–Sept. 2015	Jan.–Sept. 2014	Change in %
EBITDA pre exceptionals	201.0	160.5	25.2	585.0	495.9	18.0
Investments in property, plant and equipment, software as well as advance payments for intangible assets	–27.8	–46.0	–39.6	–76.3	–93.5	–18.3
Changes in inventories	–1.2	–24.5	–95.1	–51.8	–63.4	–18.3
Changes in trade accounts receivable as well as receivables from royalties and licenses	41.3	18.5	123.2	–19.0	–50.6	–62.4
Business free cash flow	**213.4**	**108.5**	**96.6**	**437.8**	**288.4**	**51.8**

In the first nine months of 2015, business free cash flow rose from € 288 million in the year-ago period to € 438 million, mainly as a result of the improvement in EBITDA pre exceptionals.

Performance Materials

PERFORMANCE MATERIALS

Key figures

€ million	Q3 – 2015	Q3 – 2014	Change in %	Jan.–Sept. 2015	Jan.–Sept. 2014	Change in %
Net sales[1]	653.4	576.1	13.4	1,913.7	1,484.2	28.9
Operating result (EBIT)	233.0	152.1	53.1	684.7	441.3	55.2
Margin (% of net sales)[1]	35.7	26.4		35.8	29.7	
EBITDA	292.1	217.6	34.2	863.7	574.5	50.3
Margin (% of net sales)[1]	44.7	37.8		45.1	38.7	
EBITDA pre exceptionals	297.6	242.9	22.5	869.6	655.7	32.6
Margin (% of net sales)[1]	45.5	42.2		45.4	44.2	
Business free cash flow	264.9	166.9	58.7	716.7	511.8	40.0

[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

With net sales of € 653 million (Q3 2014: € 576 million), the Performance Materials business sector of Merck KGaA, Darmstadt, Germany, generated double-digit sales growth of 13.4% in the third quarter of 2015. This was mainly attributable to continued significantly positive exchange rate effects (+11.2%), stemming primarily from the strong U.S. dollar, the leading transaction currency in the Performance Materials business. Slight organic sales growth of 2.2% was achieved, to which all business units contributed.

The Display Materials business unit, which was established at the beginning of the year and consists of the Group's successful liquid crystals business and the complementary display materials from the acquisition of AZ Electronic Materials (AZ), represents more than 60% of the net sales of Performance Materials. This business unit posted stable organic sales and continued to defend its market leadership position. A doubling of the business with the energy-saving UB-FFS technology, in particular, fueled the sales growth of innovative liquid crystal (LC) mixtures. Established LC mixtures (VA technology) also boosted sales. However, these positive effects were almost completely eliminated by the accelerated decline in volumes of the mature LC technology TN-TFT.

The Pigments & Functional Materials business unit achieved slight organic growth in the third quarter of 2015. The main drivers were technical functional materials for laser marking as well as pigments and active ingredients for the cosmetics industry.

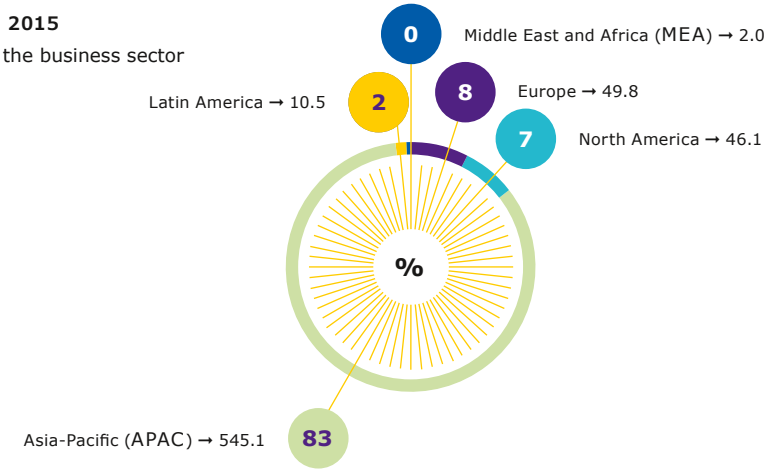
The Integrated Circuit Materials (ICM) business unit includes the former AZ business with materials used to manufacture integrated circuits. ICM achieved slight organic growth, which was mainly fueled by the business with dielectric materials for chip manufacture.

The Advanced Technologies business unit is developing into a further growth driver of the Performance Materials business sector. Special mention should be made of the dynamic development of the OLED materials business.

PERFORMANCE MATERIALS

Net sales by region – Q3 2015

€ million/% of net sales of the business sector



Accounting for a stable 83% share, 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. In this region, Performance Materials saw a sharp rise in sales due to currency effects (+14.0%). Organically, sales grew slightly by 1.7%. This increase was mainly attributable to the dynamic development of the OLED materials business. In the third quarter of 2015, this led to net sales of € 545 million (Q3 2014: € 478 million), underscoring the sustainable strength of the Performance Materials business sector in the strategically important Asia-Pacific region.

In Europe, Performance Materials generated sales of € 50 million (Q3 2014: € 47 million). The increase was due to the strong development of processing materials in IC Materials.

In North America, currency effects resulted in a sharp increase in net sales to € 46 million (Q3 2014: € 39 million). Organically, sales remained stable (+0.9%), while IC Materials saw a shift towards dielectric materials for chip manufacture.

Accounting for a low proportion of sales, the two regions Latin America and Middle East and Africa only played a subordinate role. In Latin America, net sales continued to develop well, showing double-digit organic growth from a low comparative base and generated by strong increases in the Pigments & Functional Materials business unit.

PERFORMANCE MATERIALS

Net sales components by region – Q3 2015

€ million/Change in %	Net sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Europe	49.8	4.6	0.4	–	5.0
North America	46.1	0.9	17.7	–	18.7
Asia-Pacific (APAC)	545.1	1.7	12.4	–	14.0
Latin America	10.5	27.2	–18.5	–	8.7
Middle East and Africa (MEA)	2.0	–11.9	2.4	–	–9.5
Performance Materials	**653.4**	**2.2**	**11.2**	**–**	**13.4**

In the first nine months of 2015, the business sector's net sales climbed by 28.9% to € 1,914 million. Positive currency effects (+14.1%) and acquisition-related increases (+13.7%) contributed about equally to this sales growth. Organic sales growth was also positive at 1.2%.

Sales volumes of liquid crystals developed well in the first nine months of 2015. However, volume growth was completely eroded by the price declines customary in this industry. Consequently, organic sales in the Display Materials business unit remained at the previous year's level. In the first nine months of 2015, net sales of the Pigments & Functional Materials business unit were also stable, while sales growth in Pigments was impacted by weak business with cosmetic active ingredients.

The sales contribution of the Integrated Circuit Materials business unit was due to the acquisition of AZ and thus largely acquisition-related in the first nine months of 2015. Organically, sales grew moderately, driven by dielectric materials for chip manufacture. The Advanced Technologies business unit achieved double-digit growth from a low initial base due to growing demand for OLED and LED materials.

The results of operations developed as follows:

PERFORMANCE MATERIALS

Results of operations[1]

€ million	Q3 – 2015	Q3 – 2014	Change in %	Jan.–Sept. 2015	Jan.–Sept. 2014	Change in %
Net sales	**653.4**	**576.1**	**13.4**	**1,913.7**	**1,484.2**	**28.9**
Cost of sales	–287.1	–300.9	–4.6	–854.3	–704.0	21.3
(of which: amortization of intangible assets)	*(–28.2)*	*(–18.1)*	*(56.0)*	*(–85.8)*	*(–19.4)*	*(–)*
Gross profit	**366.3**	**275.2**	**33.1**	**1,059.5**	**780.3**	**35.8**
Marketing and selling expenses	–54.4	–44.8	21.4	–153.8	–129.6	18.7
(of which: amortization of intangible assets)	*(–3.4)*	*(–2.7)*	*(23.8)*	*(–10.4)*	*(–8.2)*	*(26.7)*
Administration costs	–15.8	–18.4	–14.2	–47.8	–40.9	16.8
Research and development costs	–49.8	–45.9	8.5	–145.1	–122.3	18.7
(of which: amortization of intangible assets)	*(–0.2)*	*(–0.7)*	*(–76.4)*	*(–0.5)*	*(–2.1)*	*(–76.5)*
Other operating expenses and income	–13.4	–13.9	–4.2	–28.1	–46.2	–39.3
Operating result (EBIT)	**233.0**	**152.1**	**53.1**	**684.7**	**441.3**	**55.2**
Depreciation/amortization/impairment losses/ reversals of impairment losses	59.1	65.5	–9.7	178.9	133.2	34.3
(of which: exceptionals)	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*	*(–)*
EBITDA	**292.1**	**217.6**	**34.2**	**863.7**	**574.5**	**50.3**
Restructuring costs	0.7	1.2	–41.0	1.6	4.5	–64.2
Integration costs/IT costs	4.0	3.0	32.2	8.4	4.5	87.9
Gains/losses on the divestment of businesses	–	0.1	–	–5.8	4.5	–
Acquisition-related exceptionals	0.8	21.1	–96.1	1.7	67.7	–97.5
Other exceptionals	–	–	–	–	–	–
EBITDA pre exceptionals	**297.6**	**242.9**	**22.5**	**869.6**	**655.7**	**32.6**

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

The development of gross profit continued to be significantly influenced by the integration of AZ in the previous year. In the year-earlier period, the AZ inventories from the acquisition were stepped up to fair values and recognized as an expense in cost of sales. Thanks to good business performance and favorable currency effects, gross margin rose in the third quarter of 2015 to 56.1% (Q3 2014: 47.8%). The operating result (EBIT) increased by € 81 million to € 233 million in the third quarter of 2015 (Q3 2014: € 152 million). Consequently, both good operating business performance and positive currency translation

effects increased EBITDA pre exceptionals by 22.5% to € 298 million (Q3 2014: € 243 million). The EBITDA margin pre exceptionals rose to 45.5% in the third quarter of 2015 (Q3 2014: 42.2%).

In the first nine months of 2015, the increase in EBITDA pre exceptionals of 32.6% to € 870 million was slightly stronger than sales growth. Expressed as a percentage of sales, this resulted in an EBITDA margin pre exceptionals of 45.4% (Jan.-Sept. 2014: 44.2%).

DEVELOPMENT OF BUSINESS FREE CASH FLOW

In the third quarter of 2015, the Performance Materials business sector of Merck KGaA, Darmstadt, Germany, generated business free cash flow of € 265 million, which represents a significant increase of nearly € 100 million compared with the year-earlier quarter (Q3 2014: € 167 million). This was mainly attributable to the strong increase in EBITDA pre exceptionals and negative effects in the year-earlier quarter. In the third quarter of 2014, business free cash flow was particularly impacted by negative consolidation effects of the AZ acquisition and an increase in receivables.

PERFORMANCE MATERIALS

Business free cash flow

€ million	Q3 – 2015	Q3 – 2014	Change in %	Jan.–Sept. 2015	Jan.–Sept. 2014	Change in %
EBITDA pre exceptionals	297.6	242.9	22.5	869.6	655.7	32.6
Investments in property, plant and equipment, software as well as advance payments for intangible assets	–21.5	–27.7	–22.2	–55.5	–58.5	–5.2
Changes in inventories	–3.0	–2.1	42.1	–56.9	–91.7	–37.9
Changes in trade accounts receivable and receivables from royalties and licenses	–8.2	–26.4	–69.2	–40.5	–138.3	–70.7
Adjustments first-time consolidation of AZ Electronic Materials	–	–19.8	–	–	144.6	–
Business free cash flow	**264.9**	**166.9**	**58.7**	**716.7**	**511.8**	**40.0**

In the first nine months of 2015, business free cash flow amounted to € 717 million (Jan.-Sept. 2014: € 512 million), representing a significant increase of € 205 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	Q3 – 2015	Q3 – 2014	Change in %	Jan.–Sept. 2015	Jan.–Sept. 2014	Change in %
Operating result (EBIT)	–114.6	–73.8	55.2	–290.1	–165.1	75.7
EBITDA	–109.4	–66.5	64.6	–274.5	–150.9	82.0
EBITDA pre exceptionals	–92.0	–44.1	108.6	–236.3	–112.2	110.6
Business free cash flow	–97.6	–51.9	88.0	–266.5	–130.1	104.8

In the third quarter of 2015, administration expenses reported under Corporate and Other amounted to € 52 million (Q3 2014: € 49 million). Other operating expenses (net) rose to € –61 million (Q3 2014: € –22 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 third quarter of 2015. Taking these effects into account, in the third quarter of 2015 EBIT amounted to € –115 million (Q3 2014: € –74 million) and EBITDA was € –109 million (Q3 2014: € –66 million). Adjusted for one-time effects, EBITDA pre exceptionals totaled € –92 million (Q3 2014: € –44 million). This also had an impact on the development of business free cash flow, which dropped to € –98 million in the third quarter of 2015 (Q3 2014: € –52 million).

In the first nine months of 2015, EBITDA pre exceptionals of Corporate and Other totaled € –236 million (Jan.-Sept. 2014: € –112 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 € –267 million (Jan.-Sept. 2014: € –130 million), particularly reflected the development of EBITDA pre exceptionals.

Report on Risks and Opportunities

As a global company with a variety of highly innovative business fields, our company is exposed to potential risks as well as opportunities. The risk categories presented 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, we are 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, control and mitigate potential risks. We continuously monitor 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, we monitor a host of potential issues such as litigation regarding product liability, antitrust law, pharmaceutical law, patent law and environmental protection.

Report on Expected Developments

In our report on the results of the second quarter of 2015, we confirmed the guidance given in the first quarter for net sales, EBITDA pre exceptionals and business free cash flow for the Group and its business sectors for 2015. Subsequent to the fulfillment of the commitments made to the European Union in order to gain antitrust approval for the acquisition of Sigma-Aldrich, we expect to obtain control of Sigma-Aldrich on November 18, 2015. Effective immediately, all forecasts include the Sigma-Aldrich business. Our expectations for the Healthcare and Performance Materials business sectors of Merck KGaA, Darmstadt, Germany, as well as Corporate and Other for 2015 remain unaffected by the first-time consolidation of Sigma-Aldrich.

For the Group, we continue to expect slight organic sales growth in 2015. Since AZ Electronic Materials has been included for a full fiscal year and Sigma-Aldrich will be included for the remainder of 2015, we now expect net sales to reflect a moderate portfolio effect (previously: slight portfolio effect). Moreover, we continue to expect a positive foreign exchange effect of 5.0%–7.0% on net sales. This takes into account the negative development of foreign exchange effects in the Latin America region since the third quarter. For 2015, we thus expect net sales of the Group to increase overall to between € 12.6 billion and € 12.8 billion (previously: € 12.3 billion to € 12.5 billion). We foresee EBITDA pre exceptionals of between € 3,580 million and € 3,650 million in 2015. Business free cash flow of the Group is expected to be between € 2.6 billion and € 2.7 billion in 2015.

For the Healthcare business sector, we remain confident that organically, net sales in 2015 will reach the previous year's level. Following the completion of the first nine months of 2015, we are further specifying the forecast for EBITDA pre exceptionals of the Healthcare business sector at € 1.93 billion to € 2.0 billion (previously: € 1.9 billion to € 2.0 billion). This takes into account the positive effects from the release of research and development provisions in the third quarter of 2015. We continue to expect that currency tailwinds will mitigate the negative earnings effect from the anticipated significant decline in Rebif® sales and the absence of royalty and license income for Humira®.

For the Life Science business sector of Merck KGaA, Darmstadt, Germany, we are raising our forecast for organic sales owing to the good operating business performance in the third quarter of 2015 and now expected solid organic sales growth compared with the previous year (previously: moderate organic growth). Once again, the Process Solutions and Lab Solutions business areas both contributed significantly. Consequently, for the Life Science business sector, we forecast EBITDA pre exceptionals of between € 760 million and € 780 million in 2015 (previously: € 740 million to € 760 million). Owing to the first-time consolidation of Sigma-Aldrich, for net sales we expect a portfolio effect in the lower double-digit percentage range compared with 2014, equivalent to additional sales of around € 300 million. For EBITDA pre exceptionals, we expect a contribution of € 80 million – € 95 million from the Sigma-Aldrich business. This value takes into account the initial contribution of synergies, although at a very low level.

Due to the good operating performance in the first nine months of this year, we continue to expect slight organic growth for the Performance Materials business sector of Merck KGaA, Darmstadt, Germany. Volume growth in the Liquid Crystals business is expected 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, we continue to expect net sales to show a strong portfolio effect. Owing to good production capacity utilization and a favorable product mix in the third quarter of 2015, we are raising our forecast for EBITDA pre exceptionals. Effectively immediately, we expect EBITDA pre exceptionals for the Performance Materials business sector of between € 1,100 million and € 1,140 million (previously: € 1,060 million to € 1,100 million). The scheduled realization of synergies from the acquisition of AZ Electronic Materials and positive foreign exchange effects are still expected to contribute to this.

At Group level, we considerably accelerated strategic initiatives in the third quarter of 2015. In this connection, for example, the development and launch of our new corporate branding is a significant project that we will continue to advance in the fourth quarter of 2015 as well as in the coming year. In addition, we will invest in Group-wide projects in order to optimize

internal processes and to efficiently align the organization for the future. As a result of this development, we are adjusting the forecast for "Corporate and Other" and from now on expect EBITDA pre exceptionals of € –340 million to € –360 million (previously € –300 million to € –350 million).

GROUP

Forecast for FY 2015

€ million	Net sales	EBITDA pre exceptionals	Business free cash flow
Group	~ 12,600 to 12,800 of which Sigma-Aldrich: ~ 300	~3,580 to 3,650 of which Sigma-Aldrich: ~ 80 to 95	~ 2,600 to 2,700 of which Sigma-Aldrich: ~ 50 to 70
Healthcare	Organic at the previous year's level	~ 1,930 to 2,000	~ 1,500 to 1,550
Life Science	Solid organic growth, portfolio effect in the low double-digit percentage range	~ 760 to 780 additionally from Sigma-Aldrich: ~ 80 to 95	~ 530 to 560 additionally from Sigma-Aldrich: ~ 50 to 70
Performance Materials	Slight organic increase, strong portfolio effect	~ 1,100 to 1,140	~ 890 to 940
Corporate and Other		~ –360 to –340	~ –440 to –410

Earnings per share pre exceptionals: € 4.80 – € 4.95

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 SEPTEMBER 30, 2015

CONSOLIDATED INCOME STATEMENT[1]

€ million	Q3 – 2015	Q3 – 2014	Jan.–Sept. 2015	Jan.–Sept. 2014
Net sales	**3,120.5**	**2,920.7**	**9,381.1**	**8,364.2**
Cost of sales	–938.8	–948.2	–2,927.1	–2,538.3
(of which: amortization of intangible assets)	*(–40.9)*	*(–30.0)*	*(–123.8)*	*(–54.9)*
Gross profit	**2,181.7**	**1,972.5**	**6,454.0**	**5,825.9**
Marketing and selling expenses	–976.5	–879.7	–2,943.6	–2,647.3
(of which: amortization of intangible assets)	*(–189.4)*	*(–174.8)*	*(–556.8)*	*(–542.1)*
Administration expenses	–157.3	–156.0	–502.9	–439.3
Research and development costs	–417.2	–505.1	–1,314.2	–1,279.5
(of which: amortization of intangible assets)	*(–0.7)*	*(–1.3)*	*(–2.0)*	*(–2.8)*
Other operating expenses and income	–67.0	–2.8	–148.2	–121.6
Operating result (EBIT)	**563.8**	**428.9**	**1,545.1**	**1,338.2**
Financial result	–81.4	–57.2	–222.8	–142.2
Profit before income tax	**482.4**	**371.7**	**1,322.3**	**1,196.0**
Income tax	–116.7	–122.1	–325.6	–313.1
Profit after tax	**365.7**	**249.6**	**996.7**	**883.0**
of which attributable to Merck KGaA, Darmstadt, Germany, shareholders (net income)	364.0	248.8	989.1	877.3
of which attributable to non-controlling interests	1.7	0.8	7.6	5.7
Earnings per share (€)				
basic	0.84	0.57	2.27	2.02
diluted	0.84	0.57	2.27	2.02

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ million	Q3 – 2015	Q3 – 2014	Jan.–Sept. 2015	Jan.–Sept. 2014
Profit after tax	**365.7**	**249.6**	**996.7**	**883.0**
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	–199.6	–171.3	48.2	–416.5
Tax effect	27.8	27.3	–23.0	72.4
Changes recognized in equity	**–171.8**	**–144.0**	**25.2**	**–344.1**
	–171.8	**–144.0**	**25.2**	**–344.1**
Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Available-for-sale financial assets				
Fair value adjustments	–4.7	–1.1	14.4	–2.2
Reclassification to profit or loss	–	–	–	1.7
Tax effect	1.6	–	–0.9	–0.1
Changes recognized in equity	**–3.1**	**–1.1**	**13.5**	**–0.6**
Derivative financial instruments				
Fair value adjustments	–76.7	144.8	560.8	92.3
Reclassification to profit or loss	19.9	–9.0	49.2	–35.3
Reclassification to assets	–	–	–	–
Tax effect	–9.0	–17.6	13.6	1.5
Changes recognized in equity	**–65.8**	**118.2**	**623.6**	**58.5**
Exchange differences on translating foreign operations				
Changes taken directly to equity	–6.1	359.3	694.3	448.4
Reclassification to profit or loss	–	–	–	–
Changes recognized in equity	**-6.1**	**359.3**	**694.3**	**448.4**
	–75.0	**476.4**	**1,331.4**	**506.3**
Other comprehensive income	**–246.8**	**332.4**	**1,356.6**	**162.2**
Comprehensive income	**118.9**	**582.0**	**2,353.3**	**1,045.2**
of which attributable to Merck KGaA, Darmstadt, Germany, shareholders	120.0	578.5	2,344.3	1,034.8
of which attributable to non-controlling interests	–1.1	3.5	9.0	10.4

CONSOLIDATED BALANCE SHEET[1]

€ million	Sept. 30, 2015	Dec. 31, 2014
Non-current assets		
Intangible assets	11,405.2	11,395.5
Property, plant and equipment	3,027.2	2,990.4
Non-current financial assets	101.7	94.4
Other non-current assets	63.3	56.5
Deferred tax assets	1,053.5	992.9
	15,650.9	**15,529.7**
Current assets		
Inventories	1,795.6	1,659.7
Trade accounts receivable	2,440.4	2,219.5
Current financial assets	395.6	2,199.4
Other current assets	387.5	1,226.3
Income tax receivables	316.5	297.0
Cash and cash equivalents	11,232.2	2,878.5
Assets held for sale	45.6	–
	16,613.4	**10,480.4**
Assets	**32,264.3**	**26,010.1**
Total equity		
Equity capital	565.2	565.2
Reserves	9,924.0	9,038.9
Gains/losses recognized immediately in equity	3,467.5	2,137.5
Equity attributable to Merck KGaA, Darmstadt, Germany, shareholders	**13,956.7**	**11,741.6**
Non-controlling interests	65.4	59.4
	14,022.1	**11,801.0**
Non-current liabilities		
Provisions for pensions and other post-employment benefits	1,833.1	1,820.1
Non-current provisions	710.9	626.1
Non-current financial liabilities	9,157.5	3,561.1
Other non-current liabilities	646.6	782.0
Deferred tax liabilities	627.5	818.4
	12,975.6	**7,607.7**
Current liabilities		
Current provisions	448.5	561.7
Current financial liabilities	1,166.4	2,075.9
Trade accounts payable	1,633.6	1,539.4
Income tax liabilities	850.0	849.8
Other current liabilities	1,168.2	1,574.6
	5,266.6	**6,601.4**
Total liabilities and equity	**32,264.3**	**26,010.1**

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

CONSOLIDATED CASH FLOW STATEMENT

€ million	Q3 – 2015	Q3 – 2014	Jan.–Sept. 2015	Jan.–Sept. 2014
Profit after tax	**365.7**	**249.6**	**996.7**	**883.0**
Depreciation/amortization/impairment losses/ reversals of impairment losses	336.9	352.6	1,005.8	980.5
Changes in inventories	–41.2	25.0	–136.3	17.8
Changes in trade accounts receivable[1]	–24.7	–22.7	–174.8	–143.8
Changes in trade accounts payable	59.0	–78.9	107.2	–98.5
Changes in provisions	11.5	89.2	31.7	0.2
Changes in other assets and liabilities[1]	152.9	115.0	–347.8	–67.1
Neutralization of gain/loss on disposals of assets	–	–0.4	–22.3	–12.2
Other non-cash income and expenses	11.8	–3.1	16.7	4.4
Net cash flows from operating activities	**871.9**	**726.2**	**1,476.9**	**1,564.2**
Payments for investments in intangible assets	–115.6	–35.2	–135.7	–74.1
Payments from the disposal of intangible assets	0.6	0.6	16.8	0.6
Payments for investments in property, plant and equipment	–130.1	–127.8	–297.1	–269.9
Payments from the disposal of property, plant and equipment	2.1	2.3	3.9	6.3
Payments for investments in financial assets	–51.6	–1,346.0	–1,671.5	–1,852.2
Payments from/for acquisitions less acquired cash and cash equivalents	132.2	–	1,158.6	–1,419.4
Payments from the disposal of other financial assets	580.1	1,141.9	3,595.1	3,090.2
Payments from the divestment of the Discovery and Development Solutions business field	–	0.2	–	20.9
Net cash flows from investing activities	**417.7**	**–363.9**	**2,670.1**	**–497.5**
Dividend payments to Merck KGaA, Darmstadt, Germany, shareholders	–	–	–129.2	–122.8
Dividend payments to non-controlling interests	–0.5	–0.3	–3.0	–3.0
Dividend payments to E. Merck KG, Darmstadt, Germany	–	0.3	–435.0	–382.7
Payments from new borrowings/repayments of financial liabilities from E. Merck KG, Darmstadt, Germany	–60.6	–62.2	200.7	213.6
Payments from the issuance of bonds	2,042.5	–	5,756.3	–
Repayments of bonds	–	–	–1,350.0	–
Payments for the acquisition of interests in AZ Electronic Materials S.A. after obtainment of control	–	–3.1	–	–351.4
Changes in other current and non-current financial liabilities	235.7	155.6	291.3	–111.7
Net cash flows from financing activities	**2,217.1**	**90.3**	**4,331.1**	**–758.1**
Changes in cash and cash equivalents	**3,506.7**	**452.6**	**8,478.1**	**308.7**
Changes in cash and cash equivalents due to currency translation	–49.2	39.1	–124.4	48.8
Cash and cash equivalents at the beginning of the reporting period	**7,774.7**	**846.6**	**2,878.5**	**980.8**
Cash and cash equivalents as of September 30	**11,232.2**	**1,338.3**	**11,232.2**	**1,338.3**

[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	–	–	–	877.3	–
Other comprehensive income	–	–	–	–	–344.1
Comprehensive income	**–**	**–**	**–**	**877.3**	**–344.1**
Dividend payments	–	–	–	–122.8	–
Transactions with no change of control	–	–	–	–203.2	–
Changes in scope of consolidation/Other	–	–	–	0.1	–
Balance as of September 30, 2014	**397.2**	**168.0**	**3,813.7**	**6,641.5**	**–906.8**
Balance as of January 1, 2015	**397.2**	**168.0**	**3,813.7**	**6,499.9**	**–1,274.7**
Profit after tax	–	–	–	989.1	–
Other comprehensive income	–	–	–	–	25.2
Comprehensive income	**–**	**–**	**–**	**989.1**	**25.2**
Dividend payments	–	–	–	–129.2	–
Transactions with no change of control	–	–	–	–	–
Changes in scope of consolidation/Other	–	–	–	–	–
Balance as of September 30, 2015	**397.2**	**168.0**	**3,813.7**	**7,359.8**	**–1,249.5**

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**
–	–	–	877.3	5.7	883.0
–0.6	58.5	443.7	157.5	4.7	162.2
–0.6	**58.5**	**443.7**	**1,034.8**	**10.4**	**1,045.2**
–	–	–	–122.8	–3.0	–125.8
–	–	–	–203.2	–148.2	–351.4
–	–	–	0.1	147.9	148.0
0.4	**102.7**	**1,512.2**	**11,728.9**	**56.3**	**11,785.2**
–0.1	**392.7**	**1,744.9**	**11,741.6**	**59.4**	**11,801.0**
–	–	–	989.1	7.6	996.7
13.5	623.6	692.9	1,355.2	1.4	1,356.6
13.5	**623.6**	**692.9**	**2,344.3**	**9.0**	**2,353.3**
–	–	–	–129.2	–3.0	–132.2
–	–	–	–	–	–
–	–	–	–	–	–
13.4	**1,016.3**	**2,437.8**	**13,956.7**	**65.4**	**14,022.1**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 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 unaudited interim financial statements of the Group dated September 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 37x para 3 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 presented 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 include 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 income 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 have been no material changes to accounting policies.

Balance sheet structure

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

Segment reporting

Effective January 1, 2015, the Group changed its Segment Reporting structure to report on the three segments Healthcare, Life Science and Performance Materials. The Healthcare business sector comprises the businesses that were reported separately as the Biopharma business and Consumer Health segments in the previous year. The Life Science business sector corresponds to the Life Science business 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 royalty, license and commission expenses

Effective January 1, 2015, royalty, license and commission expenses, which were previously disclosed in a separate line, were allocated to the corresponding functional costs.

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 recorded as part of other operating income, and commission income is included in net sales. Consequently, effective 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 September 30, 2015, 210 (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 five 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 manufacturer of ultrapure specialty chemicals and materials for use in integrated circuits (semiconductors) and equipment, in flat-panel displays, and for photolithographic printing.

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 goodwill from the acquisition during the period from January 1, 2015 and September 30, 2015 was as follows:

€ million	Development of goodwill
Goodwill on December 31, 2014	930.0
Exchange rate effects	77.2
Goodwill on September 30, 2015	**1,007.2**

ACQUISITION OF SIGMA-ALDRICH CORPORATION, USA

On September 22, 2014, the Group and the Sigma-Aldrich Corporation, a life science and high-tech enterprise headquartered in St. Louis, USA (Sigma-Aldrich), entered into an agreement under which the Group would acquire Sigma-Aldrich for US$ 17.0 billion or approximately € 13.1 billion (based on the exchange rate on September 22, 2014). The Group will 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 latest 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 merger at an extraordinary shareholders' meeting on December 5, 2014.

On December 23, 2014, the Group announced that it had obtained antitrust clearance from the United States Federal Trade Commission (FTC) following the expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act. Following further antitrust approvals, for instance in Japan (JFTC) and by the Chinese Ministry of Commerce (MOFCOM), on June 15, 2015 the Group received antitrust clearance of the acquisition of Sigma-Aldrich from the European Commission subject to certain conditions. As part of the EU commitments, the Group and Sigma-Aldrich had agreed to sell parts of Sigma-Aldrich's solvents and inorganics business in Europe. A corresponding agreement on the sale of these businesses was entered into with Honeywell Specialty Chemicals Seelze GmbH on October 19/20, 2015. The transaction covers manufacturing assets in Seelze, Germany, where most of the solvents and inorganics sold by Sigma-Aldrich in Europe are manufactured.

The agreement further concerns those solvents and inorganics sold by Sigma-Aldrich in the European Economic Area under the Sigma-Aldrich brand and globally under the Fluka brand, as well as the global rights to the Fluka, Hydranal and Chromasolv trademarks.

The completion of the acquisition of Sigma-Aldrich was still subject to the condition that the EU Commission accepts the sale of the solvents and inorganic materials business to Honeywell pursuant to the aforementioned agreement. This final clearance was granted by the EU Commission on November 10, 2015. Consequently, a few days after the preparation of these interim consolidated financial statements, the Group will obtain control of Sigma-Aldrich.

The purchase price is being 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 two years (US$ 250 million with a 0.35% spread over 3-month U.S. dollar LIBOR). The fixed rate notes have a maturity of three years (US$ 400 million with a coupon of 1.70%), five years (US$ 750 million with a coupon of 2.40%), seven years (US$ 1.0 billion for 2.95%), and ten years (US$ 1.6 billion for 3.25%). On August 27, 2015, the Group issued a euro bond amounting to € 2.1 billion. In total, three tranches were placed: a floating rate note with a maturity of two years amounting to € 700 million, with a 0.23% spread over 3-month EURIBOR. In addition, two fixed rate notes with a maturity of four years (€ 800 million for 0.75%) and seven years (€ 550 million for 1.375%) were placed as well.

The vast majority of the currency risk stemming from the purchase price payment for in U.S. dollars has been hedged within the scope of a rolling hedging strategy using standard derivatives (forward exchange transactions and currency options) in line with the requirements for cash flow hedge accounting. In June and September 2015, forward exchange contracts classified as hedging instruments expired. These were renewed by follow-on transactions. This led to a cash inflow totaling € 1.2 billion, which is disclosed in the consolidated cash flow statement for the reporting period as part of net cash flows from investing activities.

ACQUISITION OF QLIGHT NANOTECH LTD., ISRAEL

In the third quarter of 2015, the Group acquired the remaining interest in the start-up Qlight Nanotech Ltd., Israel (Qlight). Since then, the Group has held 100 % of the company. Qlight Nanotech Ltd. will operate as a quantum materials research hub for the Group. The purchase price comprises fixed consideration amounting to US$ 3 million, conditional purchase price components of up to US$ 4 million as well as further license remuneration provided that certain preconditions are met. The allocation of the purchase price had not yet been completed as of the reporting date.

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 (Intrexon), became effective. The collaboration serves to promote the strategy of our Biopharma business of developing therapies that modulate the natural ability of the immune system to fight tumors. Under the terms of the agreement, Intrexon received an upfront payment of € 101.9 million (US$ 115 million). For the first two targets of interest selected by the Biopharma business, Intrexon will receive research funding and is eligible to receive up to US$ 826 million development, regulatory and commercial milestones, as well as tiered royalties on product sales. The upfront payment 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 (Pfizer), 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 marketing rights will be amortized over the term of the agreement.

AGREEMENT WITH BIOMARIN PHARMACEUTICAL INC., USA, ON THE DIVESTMENT OF THE RIGHTS TO KUVAN® AND PEG-PAL

On October 1, 2015, the Group entered into an agreement with BioMarin Pharmaceutical Inc., USA (BioMarin), to return the rights to Kuvan® (sapropterin dihydrochloride), a drug used to treat phenylketonuria (PKU), a rare metabolism disorder. In accordance with IFRS, the business being sold, which is part of the Healthcare business sector, was reported as a disposal group under "Assets held for sale" in the consolidated balance sheet as of September 30, 2015. It has an intangible asset value of € 23.9 million as well as allocable goodwill of € 21.6 million.

In addition, an agreement was also reached under which the Group will return its option to develop and commercialize Peg-Pal to BioMarin. Peg-Pal is an investigational drug that is also designed for the treatment of PKU.

Both agreements are expected to become effective on January 1, 2016.

The Group will receive an upfront payment of € 340 million for the sale of the rights to Kuvan®. Moreover, the Group is entitled to up to € 185 million for the achievement of certain milestones.

GREECE

As of September 30, 2015, the Group had trade accounts receivable from Greek customers amounting to € 40.7 million. Of these trade accounts receivable, € 36.4 million are attributable to government healthcare organizations. On September 30, 2015, impairment losses of € 20.7 million had been recognized on the aforementioned receivables. As of September 30, 2015, other Group companies had receivables of € 11.2 million from the Greek subsidiary.

APPLICABLE FOREIGN EXCHANGE MECHANISM IN VENEZUELA

Through subsidiaries, the Group imports and distributes pharmaceutical products in Venezuela. The translation of the local financial statements from Venezuelan bolivar as the functional currency to euros as the reporting currency must proceed in analogous application of IAS 21.26 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 September 30, 2015, the three following exchange rate mechanisms were in place:

- "CENCOEX" (6.3 bolivars per U.S. dollar): Official privileged exchange rate mechanism granted exclusively for imports of high-priority essential goods such as food and medicines;
- "SICAD" (13.5 bolivars per U.S. dollar): Official exchange rate mechanism whereby exchange rates are set based on the conducted auctions;
- "SIMADI" (Marginal Currency System) (199.4 bolivars per U.S. dollar): Official exchange rate mechanism that permits individuals and entities to buy and sell foreign currency with fewer restrictions than other exchange rate mechanisms in Venezuela.

In the past, the Group applied the privileged exchange rate mechanism CENCOEX for the translation of local financial statements prepared in Venezuelan bolivar, the functional currency, into euros, the reporting currency. In 2015, the Venezuelan authorities have been increasingly limiting authorizations to pay for imports using the privileged exchange rate. Against this background and owing to the development of payments received as well as the further growing uncertainty since the last balance sheet date as regards the extent to which the privileged CENCOEX exchange rate mechanism will be available in the future, the Executive Board of Merck KGaA, Darmstadt, Germany, believes that for the translation of local financial statements reported in Venezuelan bolivar, the functional currency, into euros as the reporting currency, it will be necessary to apply the SIMADI exchange rate mechanism.

This estimate is discretionary. The Group continues to closely monitor the development of payments received and the exchange rate mechanism. Should the payment rates improve or if it can no longer be assumed that the SIMADI exchange rate is the relevant exchange rate for the translation from local currency into euros as the reporting currency, this could lead to an amended estimate, which in turn could trigger an amended currency translation.

The net sales generated by the Group in Venezuela using the SIMADI exchange rate amounted to € 3.4 million in the third quarter of 2015. Net sales using the CENCOEX exchange rate amounted to € 66.7 million in the third quarter of 2014. In the third quarter of 2014, net sales generated by the Group in Venezuela using the current SIMADI exchange rate would have been € 2.5 million.

Segment Reporting

INFORMATION BY BUSINESS SECTOR

€ million	Healthcare				Life Science			
	Q3 – 2015	Q3 – 2014	Jan.–Sept. 2015	Jan.–Sept. 2014	Q3 – 2015	Q3 – 2014	Jan.–Sept. 2015	Jan.–Sept. 2014
Net sales[1]	**1,707.6**	**1,683.7**	**5,197.2**	**4,903.7**	**759.4**	**660.9**	**2,270.2**	**1,976.2**
Operating result (EBIT)	**348.6**	**278.9**	**884.2**	**828.1**	**96.8**	**71.7**	**266.3**	**233.9**
Depreciation and amortization	189.3	182.2	560.9	565.6	83.0	77.9	247.1	229.5
Impairment losses	–	19.6	2.9	37.7	0.3	–	0.3	0.3
Reversals of impairment losses	–	–	–	–	–	–	–	–
EBITDA	**538.0**	**480.7**	**1,448.0**	**1,431.4**	**180.0**	**149.6**	**513.8**	**463.7**
Exceptionals	–0.6	16.5	30.1	38.5	21.0	10.9	71.2	32.2
EBITDA pre exceptionals (Segment result)	**537.4**	**497.2**	**1,478.1**	**1,469.9**	**201.0**	**160.5**	**585.0**	**495.9**
EBITDA margin pre exceptionals (% of net sales)[1]	31.5	29.5	28.4	30.0	26.5	24.3	25.8	25.1
Net operating assets[2]			5,989.9	6,041.0			6,343.1	6,196.3
Segment liabilities[2]			–2,464.7	–2,507.9			–454.6	–434.6
Investments in property, plant and equipment[3]	73.8	51.9	140.6	116.7	27.0	44.5	74.6	89.2
Investments in intangible assets[3]	108.4	32.6	120.0	59.8	2.1	–2.4	5.0	0.5
Net cash flows from operating activities[3]	481.2	483.7	1,100.5	1,270.0	234.2	162.9	457.8	368.1
Business free cash flow	460.4	390.6	1,143.1	1,260.2	213.4	108.5	437.8	288.4

[1] The composition of net sales has changed, see "Accounting Policies".

[2] Figures for the reporting period ending on September 30, 2015, previous-year figures as of December 31, 2014.

[3] According to the consolidated cash flow statement.

Performance Materials				Corporate and Other				Group			
Q3 – 2015	Q3 – 2014	Jan.–Sept. 2015	Jan.–Sept. 2014	Q3 – 2015	Q3 – 2014	Jan.–Sept. 2015	Jan.–Sept. 2014	Q3 – 2015	Q3 – 2014	Jan.–Sept. 2015	Jan.–Sept. 2014
653.4	**576.1**	**1,913.7**	**1,484.2**	**–**	**–**	**–**	**–**	**3,120.5**	**2,920.7**	**9,381.1**	**8,364.2**
233.0	**152.1**	**684.7**	**441.3**	**–114.6**	**–73.8**	**–290.1**	**–165.1**	**563.8**	**428.9**	**1,545.1**	**1,338.2**
58.9	65.9	178.7	132.6	4.7	3.7	13.3	10.7	336.0	329.7	1,000.0	938.3
0.2	–	0.3	1.3	0.5	3.6	2.3	3.6	0.9	23.2	5.9	42.9
–	–0.4	–0.1	–0.6	–	–	–	–	–	–0.4	–0.1	–0.7
292.1	**217.6**	**863.7**	**574.5**	**–109.4**	**–66.5**	**–274.5**	**–150.9**	**900.7**	**781.5**	**2,550.9**	**2,318.7**
5.5	25.3	5.9	81.2	17.5	22.4	38.3	38.7	43.4	75.1	145.5	190.6
297.6	**242.9**	**869.6**	**655.7**	**–92.0**	**–44.1**	**–236.3**	**–112.2**	**944.0**	**856.6**	**2,696.4**	**2,509.4**
45.5	42.2	45.4	44.2	–	–	–	–	30.3	29.3	28.7	30.0
		3,479.8	3,348.6			81.1	126.1			15,894.0	15,712.0
		–308.7	–355.4			–50.9	–56.5			–3,279.0	–3,354.4
20.5	26.3	53.1	55.0	8.7	5.1	28.8	8.9	130.1	127.8	297.1	269.9
3.0	1.5	4.4	4.5	2.1	3.6	6.4	9.3	115.6	35.2	135.7	74.1
319.2	244.2	815.0	612.6	–162.7	–164.7	–896.6	–686.5	871.9	726.2	1,476.9	1,564.2
264.9	166.9	716.7	511.8	–97.6	–51.9	–266.5	–130.1	841.0	614.1	2,031.1	1,930.4

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

Apart from 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 and 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	Q3 – 2015	Q3 – 2014	Jan.–Sept. 2015	Jan.–Sept. 2014
Total EBITDA pre exceptionals of the operating businesses	**1,036.0**	**900.7**	**2,932.7**	**2,621.5**
Corporate and Other	–92.0	–44.1	–236.3	–112.2
EBITDA pre exceptionals Group	**944.0**	**856.6**	**2,696.4**	**2,509.4**
Depreciation/amortization/impairment losses/reversals of impairment losses	–336.9	-352.6	–1,005.8	–980.5
Exceptionals	–43.4	–75.1	–145.5	–190.6
Operating result (EBIT)	**563.8**	**428.9**	**1,545.1**	**1,338.2**
Financial result	–81.4	-57.2	–222.8	–142.2
Profit before income tax	**482.4**	**371.7**	**1,322.3**	**1,196.0**

The composition of business free cash flow was as follows:

€ million	Q3 – 2015	Q3 – 2014	Jan.–Sept. 2015	Jan.–Sept. 2014
EBITDA pre exceptionals	**944.0**	**856.6**	**2,696.4**	**2,509.4**
Investments in property, plant and equipment, software as well as advance payments for intangible assets	–135.9	–136.3	–313.2	–295.1
Changes in inventories according to the balance sheet	–2.1	–37.1	–135.9	–181.7
Changes in trade accounts receivable and receivables from royalties and licenses according to the balance sheet	35.0	–49.3	–216.2	–246.8
Adjustments first-time consolidation of AZ Electronic Materials	–	–19.8	–	144.6
Business free cash flow	**841.0**	**614.1**	**2,031.1**	**1,930.4**

Exceptionals were as follows:

€ million	Q3 – 2015	Q3 – 2014	Jan.–Sept. 2015	Jan.–Sept. 2014
Restructuring costs	–1.8	–24.2	–41.8	–59.8
Acquisition-related exceptionals	–18.6	–21.1	–58.2	–67.7
Integration/IT costs	–11.8	–23.8	–33.4	–58.4
Gains/losses on the divestment of businesses	–6.4	–1.1	–0.6	5.3
Other exceptionals	–4.7	–5.0	–11.5	–10.0
Exceptionals before impairment losses/reversals of impairments	**–43.4**	**–75.1**	**–145.5**	**–190.6**
Impairment losses	–0.4	–3.8	–2.2	–7.7
Reversals of impairment losses	–	–	–	–
Exceptionals (total)	**–43.8**	**–79.0**	**–147.7**	**–198.3**

The restructuring charges in the current fiscal year amounting to € 41.8 million (year-earlier period: € 59.8 million) were mainly related to the "Fit for 2018" transformation and growth program.

Acquisition-related exceptionals amounting to € 58.2 million (year-earlier period: € 67.6 million) largely arose in 2015 in connection with the 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	Sept. 30, 2015	Dec. 31, 2014
Assets	32,264.3	26,010.1
Monetary assets (cash and cash equivalents, current financial assets, loans, securities)	–11,667.1	–5,563.1
Non-operating receivables, income tax receivables, deferred taxes and net defined benefit assets	–1,378.7	–1,380.6
Assets held for sale	–45.6	–
Operating assets (gross)	**19,172.9**	**19,066.4**
Trade accounts payable	–1,633.6	–1,539.4
Other operating liabilities	–1,645.4	–1,815.0
Segment liabilities	**–3,279.0**	**–3,354.4**
Operating assets (net)	**15,894.0**	**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 expenses as well as royalty, license and commission income (see explanations in "Accounting Policies") are presented in the following tables.

HEALTHCARE | 2014 ADJUSTMENT

€ million	2014 old structure				2014 adjustment				2014 adjusted			
	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

€ 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	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

€ million	2014 old structure				2014 adjustment				2014 adjusted			
	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

€ 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	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 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 nine months of 2015.

As of September 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:

€ million	Nominal volume		Fair value	
	Sept. 30, 2015	Dec. 31, 2014	Sept. 30, 2015	Dec. 31, 2014
Cash flow hedge	7,208.5	10,041.8	–113.6	313.4
Interest	100.0	650.0	–3.5	–99.9
Currency	7,108.5	9,391.8	–110.1	413.3
Fair value hedge	–	–	–	–
Interest	–	–	–	–
Currency	–	–	–	–
No hedge accounting	3,747.1	3,682.6	–112.7	9.4
Interest	1,100.0	–	–98.8	–
Currency	2,647.1	3,682.6	–13.9	9.4
	10,955.6	**13,724.4**	**–226.3**	**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 Sept. 30, 2015	Remaining maturity less than 1 year	Remaining maturity more than 1 year	Total Dec. 31, 2014
Foreign exchange contracts	8,996.9	701.6	9,698.5	11,942.6	433.9	12,376.5
Currency options	35.7	21.4	57.1	653.1	44.8	697.9
Interest rate swaps	100.0	1,100.0	1,200.0	100.0	550.0	650.0
	9,132.6	**1,823.0**	**10,955.6**	**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 Sept. 30, 2015	Amortized cost	At cost	Fair value	Carrying value according to IAS 17	Non-financial items
Assets						
Cash and cash equivalents	11,232.2	11,232.2	–	–	–	–
Current financial assets	395.6	29.7	–	365.9	–	–
Held for trading (non-derivative)	–	–	–	–	–	–
Derivatives without a hedging relationship	15.0	–	–	15.0	–	–
Held to maturity	26.8	26.8	–	–	–	–
Loans and receivables	2.9	2.9	–	–	–	–
Available for sale	350.9	–	–	350.9	–	–
Derivatives with a hedging relationship	–	–	–	–	–	–
Trade accounts receivable	2,440.4	2,440.4	–	–	–	–
Loans and receivables	2,440.4	2,440.4	–	–	–	–
Other current and non-current assets	450.8	98.1	–	23.7	–	329.0
Derivatives without a hedging relationship	6.9	–	–	6.9	–	–
Loans and receivables	98.1	98.1	–	–	–	–
Derivatives with a hedging relationship	16.8	–	–	16.8	–	–
Non-financial items	329.0	–	–	–	–	329.0
Non-current financial assets	101.7	13.5	60.7	27.5	–	–
Derivatives without a hedging relationship	2.6	–	–	2.6	–	–
Held to maturity	–	–	–	–	–	–
Loans and receivables	13.5	13.5	–	–	–	–
Available for sale	85.6	–	60.7	24.9	–	–
Derivatives with a hedging relationship	–	–	–	–	–	–
Liabilities						
Current and non-current financial liabilities	10,323.9	10,155.6	–	163.4	4.9	–
Derivatives without a hedging relationship	121.1	–	–	121.1	–	–
Other liabilities	10,155.6	10,155.6	–	–	–	–
Derivatives with a hedging relationship	42.3	–	–	42.3	–	–
Finance lease liabilities	4.9	–	–	–	4.9	–
Trade accounts payable	1,633.6	1,633.6	–	–	–	–
Other liabilities	1,633.6	1,633.6	–	–	–	–
Other current and non-current liabilities	1,814.8	212.0	–	104.2	–	1,498.6
Derivatives without a hedging relationship	16.2	–	–	16.2	–	–
Other liabilities	212.0	212.0	–	–	–	–
Derivatives with a hedging relationship	88.0	–	–	88.0	–	–
Non-financial items	1,498.6	–	–	–	–	1,498.6

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

		Subsequent measurement according to IAS 39					
Fair value Sept. 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]
11,232.2	2,878.5	2,878.5	–	–	–	–	2,878.5
	2,199.4	24.6	–	2,174.8	–	–	
–	–	–	–	–	–	–	–
15.0	39.8	–	–	39.8	–	–	39.8
26.8	21.7	21.7	–	–	–	–	21.7
2.9	2.9	2.9	–	–	–	–	2.9
350.9	2,135.0	–	–	2,135.0	–	–	2,135.0
–	–	–	–	–	–	–	–
	2,219.5	2,219.5	–	–	–	–	
2,440.4	2,219.5	2,219.5	–	–	–	–	2,219.5
	1,282.8	168.5	–	471.4	–	642.9	
6.9	0.7	–	–	0.7	–	–	0.7
98.1	168.5	168.5	–	–	–	–	168.5
16.8	470.7	–	–	470.7	–	–	470.7
	642.9	–	–	–	–	642.9	
	94.4	13.7	66.9	13.8	–	–	
2.6	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
13.5	13.7	13.7	–	–	–	–	13.7
24.9	80.7	–	66.9	13.8	–	–	13.8
–	–	–	–	–	–	–	–

	5,637.0	5,477.5	–	153.0	6.5	–	
121.1	25.4	–	–	25.4	–	–	25.4
10,348.3	5,477.5	5,477.5	–	–	–	–	5,835.6
42.3	127.6	–	–	127.6	–	–	127.6
4.9	6.5	–	–	–	6.5	–	6.5
	1,539.4	1,539.4	–	–	–	–	
1,633.6	1,539.4	1,539.4	–	–	–	–	1,539.4
	2,356.6	696.1	–	35.4	–	1,625.1	
16.2	5.7	–	–	5.7	–	–	5.7
212.0	696.1	696.1	–	–	–	–	696.1
88.0	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 taking 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 € 60.7 million (December 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 Sept. 30, 2015	Assets	Liabilities
Fair value determined by official prices and quoted market values (Level 1)	**363.1**	**9,036.5**
thereof available-for-sale	363.1	–
thereof other liabilities	–	9,036.5
Fair value determined using inputs observable in the market (Level 2)	**41.3**	**1,579.4**
thereof available-for-sale	–	–
thereof derivatives with a hedging relationship	16.8	130.3
thereof derivatives without a hedging relationship	24.5	137.3
thereof other liabilities	–	1,311.8
Fair value determined using inputs unobservable in the market (Level 3)	**12.7**	**–**
thereof available-for-sale	12.7	–

€ million Dec. 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	1.4	0.5
Divestments	–	–
Transfers out of Level 3 into Level 1 / Level 2	–	–
Net book value as of Sept. 30, 2015 / Dec. 31, 2014	**12.7**	**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 € 2.6 million. By contrast, a decline in the discount factor by one percentage point would have increased other comprehensive income by € 3.4 million.

RELATED-PARTY DISCLOSURES

As of September 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 € 702.1 million. In addition, as of September 30, 2015, Merck KGaA, Darmstadt, Germany, had receivables from E. Merck Beteiligungen KG, Darmstadt, Germany, amounting to € 4.7 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 € 702.1 million, which were subject to standard market interest rates.

Moreover, as of September 30, 2015 Merck Serono SA, Switzerland, a subsidiary of Merck KGaA, Darmstadt, Germany, had a receivable from Calypso Biotech SA, Switzerland, amounting to € 1.2 million (CHF 1,350,000.00) stemming from a convertible bond with an annual coupon of 8 % and maturing on December 31, 2016.

From January to September 2015, Merck KGaA, Darmstadt, Germany, performed services for E. Merck KG, Darmstadt, Germany, E. Merck Beteiligungen KG, Darmstadt, Germany, and for Emanuel-Merck-Vermögens-KG, Darmstadt, Germany, with a value of € 0.7 million, € 0.3 million and € 0.2 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

On November 10, 2015, the EU Commission granted final antitrust clearance for the acquisition of the Sigma-Aldrich Corporation, USA. Consequently, the Group will obtain control of Sigma-Aldrich a few days after the preparation of these interim consolidated financial statements. As regards further information concerning this acquisition, reference is made to the corresponding section in these interim consolidated financial statements. Subsequent to the balance sheet date, no further 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, November 10, 2015

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FINANCIAL CALENDAR 2016

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

August

THURSDAY, AUGUST 4, 2016
REPORT ON THE SECOND QUARTER

November

TUESDAY, NOVEMBER 15, 2016
REPORT ON THE THIRD QUARTER

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