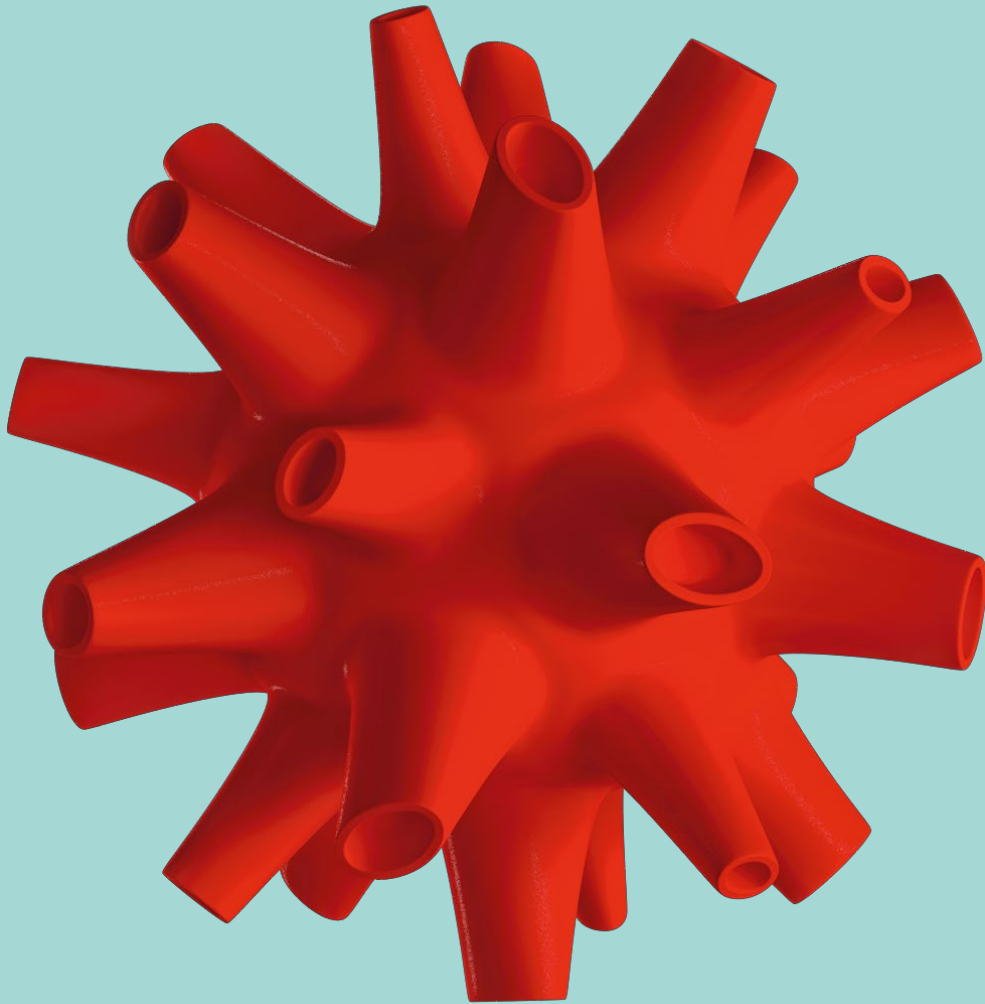


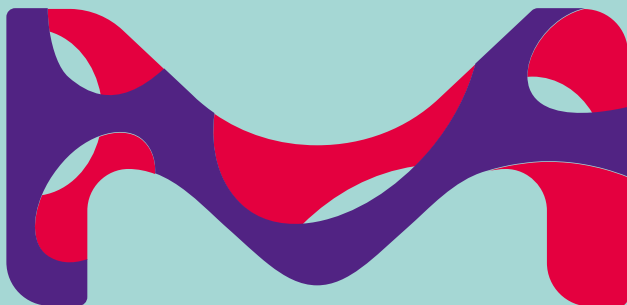
Merck KGaA,  
Darmstadt, Germany



# 3<sup>rd</sup> QUARTER 2018

Quarterly Statement

## DISCLAIMER



Publication of Merck KGaA, Darmstadt, Germany. In the United States and Canada the subsidiaries of Merck KGaA, Darmstadt, Germany, operate as EMD Serono in Healthcare, MilliporeSigma in Life Science and EMD Performance Materials. To reflect such fact and to avoid any misconception of the reader of the publication certain logos, terms and names of businesses of the publication have been substituted or additional descriptions have been added. This version of the publication, therefore, slightly deviates from the otherwise identical version of the publication provided outside the United States and Canada.

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This document is a quarterly statement pursuant to section 53 of the Exchange Rules for the Frankfurt Stock Exchange.

This quarterly statement contains certain financial indicators such as EBITDA pre, business free cash flow (BFCF), net financial debt and earnings per share pre, which are not defined by International Financial Reporting Standards (IFRS). These financial indicators should not be taken into account in order to assess the performance of the Group in isolation or used as an alternative to the financial indicators presented in the consolidated financial statements and determined in accordance with IFRS.

The figures presented in this quarterly statement have been rounded. This may lead to individual values not adding up to the totals presented.

The Annual Report for 2017 has been optimized for mobile devices and is available on the Web at [ar.emdgroup.com/2017/](http://ar.emdgroup.com/2017/)

# In brief

## GROUP

### Key figures<sup>1</sup>

| € million                               | Q3 2018 | Q3 2017 | Change | Jan.–Sept. 2018 | Jan.–Sept. 2017 | Change |
|---|---------|---------|--------|-----------------|-----------------|--------|
| Net sales                               | 3,749   | 3,517   | 6.6%   | 10,949          | 10,869          | 0.7%   |
| Operating result (EBIT) <sup>2</sup>    | 491     | 862     | -43.1% | 1,386           | 2,183           | -36.5% |
| Margin (% of net sales) <sup>2</sup>    | 13.1%   | 24.5%   |        | 12.7%           | 20.1%           |        |
| EBITDA <sup>2</sup>                     | 919     | 1,277   | -28.1% | 2,683           | 3,419           | -21.5% |
| Margin (% of net sales) <sup>2</sup>    | 24.5%   | 36.3%   |        | 24.5%           | 31.5%           |        |
| EBITDA pre <sup>2</sup>                 | 963     | 1,023   | -5.9%  | 2,850           | 3,285           | -13.2% |
| Margin (% of net sales) <sup>2</sup>    | 25.7%   | 29.1%   |        | 26.0%           | 30.2%           |        |
| Profit after tax                        | 345     | 648     | -46.7% | 938             | 1,600           | -41.4% |
| Earnings per share (€)                  | 0.78    | 1.48    | -47.3% | 2.13            | 3.66            | -41.8% |
| Earnings per share pre (€) <sup>2</sup> | 1.32    | 1.43    | -7.7%  | 3.89            | 4.67            | -16.7% |
| Business free cash flow <sup>2</sup>    | 711     | 890     | -20.1% | 1,943           | 2,643           | -26.5% |

<sup>1</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods" under "Supplemental Financial Information".

<sup>2</sup> Not defined by International Financial Reporting Standards (IFRS).

## GROUP

### Net sales by quarter<sup>1</sup>

€ million



<sup>1</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods" under "Supplemental Financial Information".

## GROUP

### EBITDA pre<sup>1</sup> by quarter<sup>2</sup>

€ million



<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

<sup>2</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods" under "Supplemental Financial Information".

# Developments within the Group and R&D

We are a global science and technology company headquartered in Darmstadt, Germany. Founded in 1668, our history of 350 years makes us the world's oldest pharmaceutical and chemical company. In line with our strategic direction, our Group comprises three business sectors: Healthcare, Life Science, and Performance Materials.

We operate globally under our corporate brand. The only exceptions are Canada and the United States. In these countries, we operate as EMD Serono in the Biopharma business, as MilliporeSigma in the Life Science business and as EMD Performance Materials in the materials business.

We had 54,756 employees worldwide on September 30, 2018, compared with 52,834 employees on September 30, 2017.

This section of the present quarterly statement summarizes the highlights of the third quarter of 2018 at Merck KGaA, Darmstadt, Germany, including those in research and development. A detailed description of the Group and its business sectors can be found in the Annual Report for 2017 ([ar.emdgroup.com/2017/](http://ar.emdgroup.com/2017/)).

## Healthcare

### BIOPHARMA

#### Collaborations

- In September, we entered into two clinical trial collaboration and supply agreements together with our alliance partner Pfizer to evaluate the safety and effectiveness of avelumab,

a human anti-PD-L1 antibody, in the setting of combination therapies. In collaboration with Checkmate Pharmaceuticals, CMP-001, an experimental TLR9 agonist, will be studied in combination with avelumab in patients with advanced squamous cell cancer of the head and neck resistant to a prior PD-1/PD-L1 inhibitor. In collaboration with Immuteq Limited, avelumab will be evaluated in combination with their lead LAG-3 immunotherapy product candidate, efitlagimod alpha, in patients with advanced solid malignancies.

- In August, we agreed on a pilot collaboration with GlucoMe to evaluate their digital diabetes platform across several hospitals in Vietnam. The project will assess the advantages of GlucoMe's digital diabetes care system against the current standard of care in Vietnam.

#### Oncology and Immuno-Oncology

- In September, we and our alliance partner Pfizer announced positive top-line results from the pivotal Phase III JAVELIN Renal 101 study evaluating Bavencio® (avelumab) in combination with Inlyta® (axitinib), compared with Sutent® (sunitinib) as initial therapy for patients with advanced renal cell carcinoma. As part of a planned interim analysis, an independent data monitoring committee confirmed that the trial showed a statistically significant improvement in progression-free survival by central review for patients treated with the combination whose tumors had programmed death ligand-1-positive (PD-L1+) expression greater than 1% (primary objective), as well as in the entire study population regardless of PD-L1 tumor expression (secondary objective).

## GROUP

### Net sales by business sector – Q3 2018

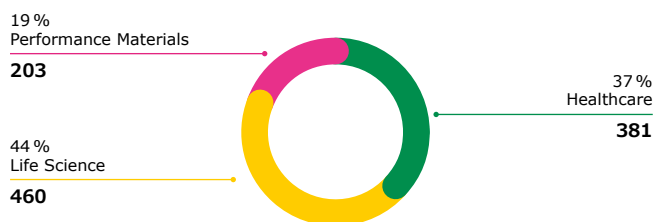
€ million/in % of net sales



## GROUP

### EBITDA pre<sup>1</sup> by business sector<sup>2</sup> – Q3 2018

€ million/in %



<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

<sup>2</sup> Not presented: Decline in Group EBITDA pre by € -82 million due to Corporate and Other.

JAVELIN Renal 101 will continue as planned to the final analysis for the other primary endpoint of overall survival. No new safety signals were observed, and adverse events for Bavencio®, Inlyta®, and Sutent® in this trial were consistent with the known safety profiles for all three medicines. The alliance intends to pursue a regulatory submission in the United States based on these interim results, and these results will be discussed with global health authorities.

**Neurology and Immunology**

- On July 30, we announced that a resubmission of the New Drug Application (NDA) for cladribine tablets as a potential treatment for patients with relapsing forms of multiple sclerosis was accepted for review by the U.S. Food and Drug Administration (FDA). The acceptance indicates that the FDA found the company’s resubmission sufficiently complete to permit a substantive review. The resubmission was in response to the Complete Response Letter issued by the FDA in 2011 requesting an improved understanding of safety risks and the overall benefit-risk profile. The NDA acceptance follows global approvals of cladribine tablets under the trade name Mavenclad® in more than 40 countries since August 2017, including the European Union (EU), Canada, Australia, Israel, Argentina, United Arab Emirates, Chile, and Lebanon. Additional filings in other countries are planned.

**General Medicine and Endocrinology**

- On July 11, we signed a strategic partnership agreement with Xian Janssen Pharmaceuticals Ltd. (a Johnson & Johnson company), to launch Invokana® (canagliflozin), an innovative treatment for adults with type 2 diabetes, in China. Under the agreement, our Group will hold the exclusive rights for the promotion of Invokana® in China. Invokana® is a member of a novel class of drugs known as sodium-glucose co-transporter 2 (SGLT-2) inhibitors. Xian Janssen gained approval in China for its use in the treatment of type 2 diabetes in combination

with metformin or with metformin plus sulfonylurea in adults who have not achieved adequate glycemic control on these oral therapies. Invokana® reduces the reabsorption of glucose in the kidneys and thereby increases urinary glucose excretion. Its novel mechanism of action is thus independent of insulin secretion and insulin sensitivity.

- On July 26, the German Federal Institute for Drugs and Medical Devices (BfArM) recommended to approve our new formulation of Euthyrox® (levothyroxine) in 21 EU countries. The decision was based on a study demonstrating bioequivalence between the old and new formulations.

**Fertility**

- In July, at the annual meeting of the European Society of Human Reproduction and Embryology (ESHRE), two new technologies were launched to further expand the lab technology portfolio to better serve the needs of our customers. QBOX IVF streamlines data transfer between lab instruments and providers of electronic medical record systems. Geri® Assess 2.0 enables automatic detection of key events in embryo and blastocyst development.
- During ESHRE we introduced our new online platform www.fertility.com. It is the gateway to two online portals: one for healthcare professionals, offering the latest scientific information in the advancing field of fertility, and one supporting women, men and couples who are looking for information about fertility and/or undergoing fertility treatment.
- At a ceremony at ESHRE we confirmed our commitment to fund potential breakthrough research projects in the field of fertility. With an amount of € 300,000, this year’s Grant for Fertility Innovation again supports the advancement of medical science, aiming to bring innovation to life. Two winners – Louise Glover from Ireland and Cinzia Di Pietro from Italy – were awarded during the ceremony, which also was attended by Louise Brown, the world’s first person to be conceived using in vitro fertilization (IVF), and IVF pioneer Professor Bruno Lunenfeld.

**GROUP**

**Business free cash flow<sup>1</sup> by business sector<sup>2</sup> – Q3 2018**

€ million/in %



**GROUP**

**Employees by region as of September 30, 2018**

Number/in %



<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

<sup>2</sup> Not presented: Decline in Group business free cash flow by € -107 million due to Corporate and Other.

- In July, the launch sequence of the Pergoveris® Pen continued with Switzerland, bringing the total number of countries in which the device is available to 13. The pen is the first product with a combination of recombinant follicle-stimulating hormone (FSH) and recombinant luteinizing hormone (LH) in a ready-to-use liquid version, eliminating the need for mixing. It thus provides an improved and convenient treatment option for women with severe deficiency of both FSH and LH, a group of patients who are difficult to treat.

### CONSUMER HEALTH

- As previously reported, on April 19 we reached an agreement to sell our global Consumer Health business to Procter & Gamble (P&G) for approximately € 3.4 billion in cash before defined purchase price adjustments for transferred operating assets and borrowed capital, among other things. The transaction is expected to close by the end of the fourth quarter of 2018. Regulatory approvals, the satisfaction of certain other customary closing conditions and the carve-out preparations for closing are on track.

### Life Science

- In the third quarter of 2018, we continued to focus on meeting customer needs by launching over 5,400 products, across the Research Solutions, Process Solutions, and Applied Solutions business units. The launch highlights include:
  - Steritest™ NEO, a new product that replaces the current Steritest EZ for sterility testing, which is a flagship for our business.
  - Phospho-L-tyrosine disodium salt Emprove® Expert, a single feed, modified amino acid for process intensification. It eliminates the need for alkaline feeds.
  - Meglumine Emprove® Essential Grade, an excipient for solid dose and non-parenteral liquid applications. Our Meglumine is the only one on the market produced in Europe.
- In July, we entered into a global cooperation agreement with InnoCore Pharmaceuticals to provide its proprietary SynBiosys® biodegradable polymer platform. This proprietary technology allows the development of injectable sustained release biological formulations with conserved bioactivity of these sensitive molecules.
- In August, we were awarded an Australian CRISPR nickase patent for foundational genome-editing technology. The patent covers paired Cas9 nickase technology to reduce off-target effects, advance gene therapy and research. It expands our foundational CRISPR cutting and integration IP necessary to correct genetic defects in gene therapy patients to fix diseased genes while not affecting healthy ones.
- In September, we launched three new products to help biomanufacturers navigate the evolving biopharma landscape with increased speed, greater flexibility and enhanced quality. The Eshmuno® CP-FT resin, a first-of-its kind cation exchange (CEX) chromatography resin for the flow-through removal of aggregates from mAb therapeutics. Two modified amino acids, namely phospho-L-tyrosine disodium salt Emprove® Expert and L-cysteine S-sulfate sodium sesquihydrate Emprove® Expert, simplify feeding and reduce total volume in cell culture.
- On September 18, we announced the opening of a SG\$ 20 million 3,800 square-meter laboratory in Singapore, the only lab of its kind in this country and the only one of its kind outside the United States and the United Kingdom. The lab will focus on biologics testing in the drug development process to ensure sterility, safety and overall quality of customers' biological drug products.
- On October 4, we opened a new, 1,000-square meter M Lab™ Collaboration Center in São Paulo, Brazil to serve the Latin America region. The lab, which is one of nine such centers around the world, includes non-GMP pilot and bench scale labs for customers. This allows them to engage in process development support, troubleshooting, demonstrations and hands-on training to explore new ways to increase productivity, improve processes and mitigate risks.
- In the same month, we received two 2018 Convention on Pharmaceutical Ingredients (CPhI) Awards. In the "Excellence in Excipients" category we won for Parteck® MXP Excipient and in the "Excellence in Bioprocessing and Manufacturing" category we won for our modified amino acids.
- On October 18, we announced the signing of a definitive agreement to sell our Flow Cytometry unit to Luminex Corporation for € 63 million.

## Performance Materials

- On July 3, Performance Materials gave a strategy update to explain how the business sector plans to achieve an average annual sales growth rate of around 2% to 3% after 2019 with an expected sustainable EBITDA pre margin of around 30%. The future growth of our Performance Materials businesses is expected to benefit from a growing electronics market, especially in semiconductors.
- One pillar of the transformation program is the realignment of research and development (R&D), which we presented at our Capital Markets Day on October 16. To this end, the business sector will target its resources more strongly to end-customer needs. Moreover, decisions relating to the assessment of projects and allocation of resources will be made centrally and the business sector will push forward with integrated and cross-disciplinary R&D.

### Display Solutions

- Our Display Solutions business unit consists of our Liquid Crystals, OLED (organic light-emitting diodes), Photoresists and Liquid Crystal Windows businesses.
- In liquid crystals, we are securing our technical and market leadership with our newest materials. Our newly branded XtraBright™ range has secured projects for large-area displays as well as high-resolution mobile devices.
- For liquid crystal window modules, first commercial architectural lighthouse projects have been acquired and are underway. In October, we launched our new product brand eyrise™. The launch follows the opening of our liquid crystal window module factory in Veldhoven, the Netherlands, at the end of last year.
- Our display photoresist business continues to strengthen based on proven technical success especially in the highest performance product lines. This is well supported by a strong position in new display production lines in the growing Chinese market.
- Ongoing and significant efficiency and lifetime performance improvements in our OLED materials range have been confirmed by successful qualification in a number of upcoming devices.

### Semiconductor Solutions

- In Semiconductor Solutions, we are in the process of discovering new materials for metallization processes with low resistance and various dielectric properties for faster and better processors, servers and data storage density.
- Our spin-on dielectric materials business is growing steadily, and we have gained significant market share. We are also seeing an increase in demand for krypton fluoride (KrF) thick-film resist, a key material used for building 3D NAND staircase structures. Our technological capabilities coupled with a strengthened supply chain have contributed to this growth.
- We have invested in development of advanced removers used in the photolithographic process to provide customers with a green alternative in compliance with upcoming environmental regulations.
- For customers operating in compound semiconductor markets such as sensors, radio frequency filters, power integrated circuits, we are in the process of refocusing our product portfolio to meet their requirements.
- Our conductive paste materials offer novel value propositions to our customers as compared with existing interconnect materials, which are reaching end-of-life status. We are reassessing target applications to realize commercial success with current activities and focusing on expanding our reach to adjacent target fields in growing markets.
- To better support our customers, we have expanded our research capacities in the United States, Germany and Taiwan, and are planning further research and production capacity expansions in Korea, Japan and China.

### Surface Solutions

- Our Surface Solutions business unit focuses on serving the automotive and cosmetics markets with functional and decorative solutions.
- In our business with Pigments for the automotive industry, we are currently focusing on the development of achromatic pigments. The latest example is our Iriodin® Icy White Pristine for silky, three-coat white stylings. Furthermore, we have expanded our regional application labs to better support the marketing of our innovative clear-coat additives, for example those manufactured on a polysilazane basis.
- As part of the Smart Effects initiative, we are focusing the development of Cosmetic pigments on matte effects (Allure series) and luster effects (Lights series). In addition, active ingredients of natural origin are a focal topic for new cosmetic solutions.



# Course of Business and Economic Position

## Group

### Overview – Q3 2018

- Group net sales increase by 6.6% to € 3.7 billion despite negative foreign exchange effects (-2.1%)
- Group sales increase organically by 8.8% due to strong sales performance in Life Science and Healthcare
- Group EBITDA pre of € 963 million down -5.9%; thereof -9.5% due to negative foreign exchange effects; organic increase of 3.7%
- At 25.7%, the Group EBITDA pre margin did not reach profitability of the year-earlier quarter (Q3 2017: 29.1%)
- Net financial debt amounts to € 10.2 billion on September 30, 2018 (December 31, 2017: € 10.1 billion)

### GROUP

#### Key figures<sup>1</sup>

| € million                               | Q3 2018 | Q3 2017 | Change | Jan.-Sept. 2018 | Jan.-Sept. 2017 | Change |
|---|---------|---------|--------|-----------------|-----------------|--------|
| Net sales                               | 3,749   | 3,517   | 6.6%   | 10,949          | 10,869          | 0.7%   |
| Operating result (EBIT) <sup>2</sup>    | 491     | 862     | -43.1% | 1,386           | 2,183           | -36.5% |
| Margin (% of net sales) <sup>2</sup>    | 13.1%   | 24.5%   |        | 12.7%           | 20.1%           |        |
| EBITDA <sup>2</sup>                     | 919     | 1,277   | -28.1% | 2,683           | 3,419           | -21.5% |
| Margin (% of net sales) <sup>2</sup>    | 24.5%   | 36.3%   |        | 24.5%           | 31.5%           |        |
| EBITDA pre <sup>2</sup>                 | 963     | 1,023   | -5.9%  | 2,850           | 3,285           | -13.2% |
| Margin (% of net sales) <sup>2</sup>    | 25.7%   | 29.1%   |        | 26.0%           | 30.2%           |        |
| Profit after tax                        | 345     | 648     | -46.7% | 938             | 1,600           | -41.4% |
| Earnings per share (€)                  | 0.78    | 1.48    | -47.3% | 2.13            | 3.66            | -41.8% |
| Earnings per share pre (€) <sup>2</sup> | 1.32    | 1.43    | -7.7%  | 3.89            | 4.67            | -16.7% |
| Business free cash flow <sup>2</sup>    | 711     | 890     | -20.1% | 1,943           | 2,643           | -26.5% |

<sup>1</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods" under "Supplemental Financial Information".

<sup>2</sup> Not defined by International Financial Reporting Standards (IFRS).

#### DEVELOPMENT OF NET SALES AND RESULTS OF OPERATIONS

The presentation of net sales comprises the continuing operations of the Group. Net sales of the Consumer Health business are no longer reported in Group sales, as this business is to be classified as a discontinued operation pursuant to IFRS 5. The previous year's figures have been adjusted accordingly (further information on the agreed divestment of the Consumer Health business can be found under "Supplemental Financial Information").

In the third quarter of 2018, net sales of the Group rose by 6.6% to € 3,749 million (Q3 2017: € 3,517 million). All business sectors contributed to the very strong organic sales growth of 8.8% or € 308 million, with Healthcare and Life Science posting nearly double-digit growth rates of 9.9% and 9.8%, respectively. Negative foreign exchange effects of -2.1% or € -76 million were due largely to foreign exchange developments in the Latin America region, for instance with respect to the Argentinian peso and the Brazilian real.

## GROUP

## Net sales by business sector

| € million             | Q3 2018      | Share       | Organic growth <sup>1</sup> | Exchange rate effects | Acquisitions/divestments | Total change | Q3 2017 <sup>2</sup> | Share       |
|-----------------------|--------------|-------------|-----------------------------|-----------------------|--------------------------|--------------|----------------------|-------------|
| Healthcare            | 1,596        | 42%         | 9.9%                        | -3.3%                 | -                        | 6.6%         | 1,498                | 43%         |
| Life Science          | 1,527        | 41%         | 9.8%                        | -1.4%                 | -                        | 8.5%         | 1,408                | 40%         |
| Performance Materials | 626          | 17%         | 3.4%                        | -0.9%                 | -                        | 2.4%         | 611                  | 17%         |
| <b>Group</b>          | <b>3,749</b> | <b>100%</b> | <b>8.8%</b>                 | <b>-2.1%</b>          | <b>-</b>                 | <b>6.6%</b>  | <b>3,517</b>         | <b>100%</b> |

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

<sup>2</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods" in the "Supplemental Financial Information".

Accounting for a 42% share of Group sales (Q3 2017: 43%), Healthcare was once again the Group's largest business sector in terms of sales. In the third quarter of 2018, Healthcare sales grew by 6.6% to € 1,596 million (Q3 2017: € 1,498 million). However, the very strong organic increase of 9.9% was partly offset by negative foreign exchange effects of -3.3%.

Thanks to organic sales growth of 9.8% and amid negative foreign exchange effects (-1.4%), our Life Science business sector achieved a very strong 8.5% increase in sales to € 1,527 million (Q3 2017: € 1,408 million). The share of Group sales

generated by Life Science in the third quarter of 2018 thus increased to 41% (Q3 2017: 40%).

Net sales of our Performance Materials business sector amounted to € 626 million (Q3 2017: € 611 million). This represented an increase of 2.4%, which was attributable to organic growth of 3.4% and negative exchange rate effects of -0.9%. The business sector's percentage contribution to Group sales was unchanged at 17%.

In the third quarter of 2018, the regional sales development of the Group was as follows:

## GROUP

## Net sales by region

| € million                    | Q3 2018      | Share       | Organic growth <sup>1</sup> | Exchange rate effects | Acquisitions/divestments | Total change | Q3 2017 <sup>2</sup> | Share       |
|------------------------------|--------------|-------------|-----------------------------|-----------------------|--------------------------|--------------|----------------------|-------------|
| Europe                       | 1,111        | 30%         | 7.6%                        | -1.5%                 | -                        | 6.0%         | 1,048                | 30%         |
| North America                | 970          | 26%         | 4.7%                        | 0.1%                  | -                        | 4.8%         | 926                  | 26%         |
| Asia-Pacific (APAC)          | 1,291        | 34%         | 11.1%                       | -1.5%                 | -                        | 9.6%         | 1,178                | 34%         |
| Latin America                | 236          | 6%          | 12.4%                       | -16.1%                | -                        | -3.7%        | 245                  | 7%          |
| Middle East and Africa (MEA) | 142          | 4%          | 19.7%                       | -2.1%                 | -                        | 17.6%        | 120                  | 3%          |
| <b>Group</b>                 | <b>3,749</b> | <b>100%</b> | <b>8.8%</b>                 | <b>-2.1%</b>          | <b>-</b>                 | <b>6.6%</b>  | <b>3,517</b>         | <b>100%</b> |

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

<sup>2</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods" under "Supplemental Financial Information".

At € 10,949 million, Group sales in the first nine months of 2018 were at the year-earlier level (January-September 2017: € 10,869 million), since the strong organic increase of 5.7% was

largely eliminated by negative foreign exchange effects of -5.0%. Sales of the business sectors in the period from January to September 2018 developed as follows:

## GROUP

## Net sales by business sector

| € million             | Jan.-Sept. 2018 | Share       | Organic growth <sup>1</sup> | Exchange rate effects | Acquisitions/divestments | Total change | Jan.-Sept. 2017 <sup>2</sup> | Share       |
|-----------------------|-----------------|-------------|-----------------------------|-----------------------|--------------------------|--------------|------------------------------|-------------|
| Healthcare            | 4,615           | 42%         | 5.1%                        | -5.2%                 | -                        | -            | 4,616                        | 43%         |
| Life Science          | 4,557           | 42%         | 8.8%                        | -4.8%                 | -                        | 3.9%         | 4,385                        | 40%         |
| Performance Materials | 1,776           | 16%         | -0.2%                       | -4.7%                 | -                        | -4.9%        | 1,867                        | 17%         |
| <b>Group</b>          | <b>10,949</b>   | <b>100%</b> | <b>5.7%</b>                 | <b>-5.0%</b>          | <b>-</b>                 | <b>0.7%</b>  | <b>10,869</b>                | <b>100%</b> |

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

<sup>2</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods" under "Supplemental Financial Information".

In the first nine months of 2018, Group sales by region were as follows:

## GROUP

### Net sales by region

| € million                    | Jan.-Sept. 2018 | Share       | Organic growth <sup>1</sup> | Exchange rate effects | Acquisitions/divestments | Total change | Jan.-Sept. 2017 <sup>2</sup> | Share       |
|------------------------------|-----------------|-------------|-----------------------------|-----------------------|--------------------------|--------------|------------------------------|-------------|
| Europe                       | 3,379           | 31%         | 5.3%                        | -1.6%                 | -                        | 3.7%         | 3,257                        | 30%         |
| North America                | 2,822           | 26%         | 4.8%                        | -6.8%                 | -                        | -2.0%        | 2,880                        | 26%         |
| Asia-Pacific (APAC)          | 3,658           | 33%         | 6.6%                        | -4.6%                 | -                        | 2.0%         | 3,587                        | 33%         |
| Latin America                | 708             | 6%          | 9.3%                        | -14.9%                | -                        | -5.6%        | 750                          | 7%          |
| Middle East and Africa (MEA) | 382             | 4%          | 0.4%                        | -4.0%                 | -                        | -3.6%        | 396                          | 4%          |
| <b>Group</b>                 | <b>10,949</b>   | <b>100%</b> | <b>5.7%</b>                 | <b>-5.0%</b>          | <b>-</b>                 | <b>0.7%</b>  | <b>10,869</b>                | <b>100%</b> |

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

<sup>2</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods" under "Supplemental Financial Information".

The consolidated income statement of the Group was as follows:

## GROUP

### Consolidated Income Statement<sup>1</sup>

| € million  | Q3 2018      | Q3 2017      | Change        | Jan.-Sept. 2018 | Jan.-Sept. 2017 | Change        |
|--|--------------|--------------|---------------|-----------------|-----------------|---------------|
| <b>Net sales</b>                                     | <b>3,749</b> | <b>3,517</b> | <b>6.6%</b>   | <b>10,949</b>   | <b>10,869</b>   | <b>0.7%</b>   |
| Cost of sales  | -1,344       | -1,237       | 8.7%          | -3,925          | -3,753          | 4.6%          |
| <b>Gross profit</b>                                  | <b>2,405</b> | <b>2,280</b> | <b>5.5%</b>   | <b>7,023</b>    | <b>7,116</b>    | <b>-1.3%</b>  |
| Marketing and selling expenses                       | -1,077       | -1,051       | 2.6%          | -3,205          | -3,252          | -1.5%         |
| Administration expenses                              | -240         | -210         | 13.8%         | -697            | -693            | 0.6%          |
| Research and development costs                       | -542         | -537         | 1.0%          | -1,588          | -1,538          | 3.3%          |
| Remaining operating expenses and income              | -55          | 380          | > 100.0%      | -148            | 550             | > 100.0%      |
| <b>Operating result (EBIT)<sup>2</sup></b>           | <b>491</b>   | <b>862</b>   | <b>-43.1%</b> | <b>1,386</b>    | <b>2,183</b>    | <b>-36.5%</b> |
| <b>Financial result</b>                              | <b>-56</b>   | <b>-65</b>   | <b>-14.5%</b> | <b>-182</b>     | <b>-200</b>     | <b>-9.1%</b>  |
| <b>Profit before income tax</b>                      | <b>435</b>   | <b>797</b>   | <b>-45.4%</b> | <b>1,204</b>    | <b>1,983</b>    | <b>-39.3%</b> |
| Income tax   | -112         | -177         | -36.9%        | -303            | -457            | -33.6%        |
| <b>Profit after tax from continuing operations</b>   | <b>323</b>   | <b>620</b>   | <b>-47.8%</b> | <b>901</b>      | <b>1,526</b>    | <b>-41.0%</b> |
| <b>Profit after tax from discontinued operations</b> | <b>22</b>    | <b>28</b>    | <b>-21.6%</b> | <b>37</b>       | <b>74</b>       | <b>-49.6%</b> |
| <b>Profit after tax</b>                              | <b>345</b>   | <b>648</b>   | <b>-46.7%</b> | <b>938</b>      | <b>1,600</b>    | <b>-41.4%</b> |
| Non-controlling interests                            | -5           | -4           | 29.8%         | -10             | -7              | 34.6%         |
| <b>Net income</b>                                    | <b>340</b>   | <b>644</b>   | <b>-47.2%</b> | <b>928</b>      | <b>1,592</b>    | <b>-41.7%</b> |

<sup>1</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods" under "Supplemental Financial Information".

<sup>2</sup> Not defined by International Financial Reporting Standards (IFRS).

Thanks to the favorable development of sales, gross profit of the Group rose by 5.5% to € 2,405 million in the third quarter of 2018 (Q3 2017: € 2,280 million). The resulting gross margin of the Group, i.e. gross profit as a percentage of sales, decreased slightly to 64.2% (Q3 2017: 64.8%). Group research and development costs rose by 1.0% to € 542

million (Q3 2017: € 537 million), which led to a lower research spending ratio (research and development costs as a percentage of sales) of 14.5% (Q3 2017: 15.3%). Accounting for a 77% (Q3 2017: 78%) share of research and development expenses of all business sectors, Healthcare is the most research-intensive business sector of our company.

Remaining operating expenses and income (net) showed an expense balance of € –55 million in the third quarter of 2018; in the year-earlier quarter this item showed an income balance of € 380 million. This strong change was mainly due to developments in our Healthcare business sector (see explanations under "Healthcare"). In particular, the comparable year-earlier figure included the gain from the disposal of the Biosimilars activities amounting to € 321 million.

The increase in provisions for obligations from long-term variable compensation programs (Long-Term Incentive Plan) negatively impacted the operating result in the third quarter of 2018. The increase in the intrinsic value of Share Units of Merck KGaA, Darmstadt, Germany, (MSUs) was recognized under the respective functional costs in the income statement depending on the field of activity of the eligible participants. The financial result of the Group improved by 14.5% to € –56

million in the third quarter of 2018 (Q3 2017: € –65 million). This was mainly due to a reduction in the negative interest result.

Income tax expenses of € 112 million (Q3 2017: € 177 million) led to an effective tax rate of 25.7% (Q3 2017: 22.2%).

Profit after tax of discontinued operations comprises the Consumer Health business, which pursuant to IFRS 5 must be reported separately in the consolidated income statement (more information about the agreed divestment of the Consumer Health business can be found under "Supplemental Financial Information").

Net income, i.e. profit after tax attributable to shareholders of Merck KGaA, Darmstadt, Germany, declined to € 340 million in the third quarter of 2018 (Q3 2017: € 644 million), yielding earnings per share of € 0.78 (Q3 2017: € 1.48).

## GROUP

### Reconciliation<sup>1</sup> of EBIT<sup>2</sup> to EBITDA pre<sup>2</sup>

| € million                                    | Q3 2018    | Q3 2017      | Change        | Jan.–Sept. 2018 | Jan.–Sept. 2017 | Change        |
|--|------------|--------------|---------------|-----------------|-----------------|---------------|
| <b>Operating result (EBIT)<sup>2</sup></b>   | <b>491</b> | <b>862</b>   | <b>-43.1%</b> | <b>1,386</b>    | <b>2,183</b>    | <b>-36.5%</b> |
| Depreciation/amortization/impairment losses  |            |              |               |                 |                 |               |
| reversals of impairment losses               | 428        | 415          | 3.1%          | 1,297           | 1,236           | 5.0%          |
| <i>(of which: adjustments)</i>               | <i>(5)</i> | <i>(-17)</i> | <i>(-)</i>    | <i>(22)</i>     | <i>(-74)</i>    | <i>(-)</i>    |
| <b>EBITDA<sup>2</sup></b>                    | <b>919</b> | <b>1,277</b> | <b>-28.1%</b> | <b>2,683</b>    | <b>3,419</b>    | <b>-21.5%</b> |
| Restructuring costs                          | 9          | 16           | -41.9%        | 25              | 28              | -9.7%         |
| Integration costs/IT costs                   | 23         | 36           | -37.9%        | 65              | 94              | -30.7%        |
| Gains/losses on the divestment of businesses | 4          | -313         | -             | 43              | -321            | -             |
| Acquisition-related adjustments              | 1          | 1            | -2.4%         | 2               | 12              | -85.1%        |
| Other adjustments                            | 8          | 5            | 48.9%         | 33              | 53              | -38.7%        |
| <b>EBITDA pre<sup>2</sup></b>                | <b>963</b> | <b>1,023</b> | <b>-5.9%</b>  | <b>2,850</b>    | <b>3,285</b>    | <b>-13.2%</b> |

<sup>1</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods" under "Supplemental Financial Information".

<sup>2</sup> Not defined by International Financial Reporting Standards (IFRS).

After eliminating depreciation, amortization and adjustments, EBITDA pre, the key financial indicator used to steer operating business, decreased by –5.9% to € 963 million (Q3 2017: € 1,023 million). Unfavorable foreign exchange effects lowered EBITDA pre by –9.5%. Relative to net sales, the EBITDA pre margin was 25.7% in the third quarter of 2018 (Q3 2017: 29.1%). Earnings per share pre (earnings per share after net of tax effect of adjustments and amortization of purchased intangible assets) fell by –7.7% to € 1.32 (Q3 2017: € 1.43).

In the first nine months of 2018, EBITDA pre decreased by –13.2% and amounted to € 2,850 million (January-September 2017: € 3,285 million). Negative foreign exchange effects lowered EBITDA pre by –10.1%. The EBITDA pre margin of the Group amounted to 26.0% (January-September 2017: 30.2%). Earnings per share pre fell by –16.7% to € 3.89 (January-September 2017: € 4.67).

## NET ASSETS AND FINANCIAL POSITION

## GROUP

## Balance sheet structure

|  | Sept. 30, 2018 |               | Dec. 31, 2017 |              | Change        |               |
|--|----------------|---------------|---------------|--------------|---------------|---------------|
|  | € million      | in %          | € million     | in %         | € million     | in %          |
| <b>Non-current assets</b>                                  | <b>27,385</b>  | <b>76.6%</b>  | <b>28,166</b> | <b>79.1</b>  | <b>-780</b>   | <b>-2.8%</b>  |
| <b>of which:</b>   |                |               |               |              |               |               |
| Goodwill   | 13,597         |               | 13,582        |              | 15            |               |
| Intangible assets  | 7,586          |               | 8,317         |              | -731          |               |
| Property, plant and equipment                              | 4,549          |               | 4,512         |              | 37            |               |
| Other non-current assets                                   | 1,653          |               | 1,755         |              | -102          |               |
| <b>Current assets</b>                                      | <b>8,355</b>   | <b>23.4%</b>  | <b>7,455</b>  | <b>20.9</b>  | <b>900</b>    | <b>12.1%</b>  |
| <b>of which:</b>   |                |               |               |              |               |               |
| Inventories  | 2,814          |               | 2,632         |              | 183           |               |
| Trade accounts receivable                                  | 3,000          |               | 2,923         |              | 77            |               |
| Current financial assets                                   | 61             |               | 90            |              | -30           |               |
| Other current assets                                       | 1,019          |               | 1,221         |              | -202          |               |
| Cash and cash equivalents                                  | 833            |               | 589           |              | 244           |               |
| Assets held for sale                                       | 628            |               | -             |              | 628           |               |
| <b>Total assets</b>  | <b>35,740</b>  | <b>100.0%</b> | <b>35,621</b> | <b>100.0</b> | <b>120</b>    | <b>0.3%</b>   |
| <b>Equity</b>  | <b>15,347</b>  | <b>42.9%</b>  | <b>14,066</b> | <b>39.5</b>  | <b>1,281</b>  | <b>9.1%</b>   |
| <b>Non-current liabilities</b>                             | <b>11,427</b>  | <b>32.0%</b>  | <b>12,919</b> | <b>36.3</b>  | <b>-1,493</b> | <b>-11.6%</b> |
| <b>of which:</b>   |                |               |               |              |               |               |
| Provisions for pensions and other post-employment benefits | 2,089          |               | 2,257         |              | -168          |               |
| Other non-current provisions                               | 801            |               | 788           |              | 13            |               |
| Non-current financial liabilities                          | 7,095          |               | 8,033         |              | -937          |               |
| Other non-current liabilities                              | 1,442          |               | 1,842         |              | -400          |               |
| <b>Current liabilities</b>                                 | <b>8,966</b>   | <b>25.1%</b>  | <b>8,635</b>  | <b>24.2</b>  | <b>332</b>    | <b>3.8%</b>   |
| <b>of which:</b>   |                |               |               |              |               |               |
| Current provisions   | 389            |               | 414           |              | -26           |               |
| Current financial liabilities                              | 3,966          |               | 2,790         |              | 1,176         |               |
| Trade accounts payable/Refund liabilities                  | 2,057          |               | 2,195         |              | -139          |               |
| Other current liabilities                                  | 2,395          |               | 3,234         |              | -839          |               |
| Liabilities directly related to assets held for sale       | 160            |               | -             |              | 160           |               |
| <b>Total liabilities and equity</b>                        | <b>35,740</b>  | <b>100.0%</b> | <b>35,621</b> | <b>100.0</b> | <b>120</b>    | <b>0.3%</b>   |

The total assets of the Group amounted to € 35,740 million as of September 30, 2018. This represents a minor increase compared with December 31, 2017 (€ 35,621 million). Since the beginning of 2018, working capital has risen by 11.7% to € 3,784 million (December 31, 2017: € 3,387 million) owing to

an increase in inventories and receivables amid a simultaneous decline in trade accounts payable.

The composition and the development of net financial debt were as follows:

## GROUP

### Net financial debt<sup>1</sup>

|  | Sept. 30, 2018 | Dec. 31, 2017 | Change     |             |
|--|----------------|---------------|------------|-------------|
|  | € million      | € million     | € million  | in %        |
| Bonds and commercial paper                               | 8,116          | 8,213         | -98        | -1.2%       |
| Bank loans   | 1,783          | 1,653         | 129        | 7.8%        |
| Liabilities to related parties                           | 1,006          | 767           | 239        | 31.1%       |
| Loans from third parties and other financial liabilities | 68             | 73            | -4         | -6.0%       |
| Liabilities from derivatives (financial transactions)    | 84             | 113           | -28        | -25.3%      |
| Finance lease liabilities                                | 4              | 4             | 1          | 18.4%       |
| <b>Financial liabilities</b>                             | <b>11,062</b>  | <b>10,823</b> | <b>239</b> | <b>2.2%</b> |
| <b>less:</b>   |                |               |            |             |
| Cash and cash equivalents                                | 833            | 589           | 244        | 41.5%       |
| Current financial assets                                 | 61             | 90            | -30        | -32.9%      |
| <b>Net financial debt<sup>1</sup></b>                    | <b>10,168</b>  | <b>10,144</b> | <b>24</b>  | <b>0.2%</b> |

<sup>1</sup>Not defined by International Financial Reporting Standards (IFRS).

## GROUP

### Reconciliation of net financial debt<sup>1</sup>

| € million   | 2018          |
|---|---------------|
| <b>January 1</b>  | <b>10,144</b> |
| Currency translation difference   | 77            |
| Dividend payments to shareholders and to E. Merck KG, Darmstadt, Germany <sup>2</sup> | 759           |
| Acquisitions <sup>2</sup>   | -             |
| Payments from other divestments <sup>2</sup>  | -             |
| Free cash flow <sup>1</sup>   | -827          |
| Other   | 14            |
| <b>September 30</b>   | <b>10,168</b> |

<sup>1</sup>Not defined by International Financial Reporting Standards (IFRS).

<sup>2</sup>As reported in the Consolidated Cash Flow Statement.

Equity increased in the first nine months of 2018 by 9.1% to € 15,347 million (December 31, 2017: € 14,066 million), leading to an increase in the equity ratio by more than 3 percentage points to 42.9% (December 31, 2017: 39.5%). More information on the development of equity can be found in the Consolidated Statement of Changes in Net Equity under "Supplemental Financial Information".

The composition of free cash flow as well as the development of the relevant items are presented in the following table:

## GROUP

### Free cash flow<sup>1</sup>

| € million   | Q3 2018    | Q3 2017    | Change       | Jan.-Sept. 2018 | Jan.-Sept. 2017 | Change        |
|---|------------|------------|--------------|-----------------|-----------------|---------------|
| Cash flow from operating activities as reported in the consolidated cash flow statement | 731        | 758        | -3.5%        | 1,479           | 2,055           | -28.0%        |
| Payments for investments in intangible assets   | -15        | -38        | -61.6%       | -70             | -328            | -78.7%        |
| Payments from the disposal of intangible assets   | -          | 2          | -            | 7               | 5               | 29.3%         |
| Payments for investments in property, plant and equipment                               | -215       | -197       | 9.5%         | -611            | -569            | 7.4%          |
| Payments from the disposal of property, plant and equipment                             | 9          | 2          | >100.0%      | 21              | 19              | 10.7%         |
| <b>Free cash flow<sup>1</sup></b>   | <b>510</b> | <b>527</b> | <b>-3.3%</b> | <b>827</b>      | <b>1,183</b>    | <b>-30.1%</b> |

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

In the third quarter of 2018, business free cash flow of the Group amounted to € 711 million (Q3 2017: € 890 million).

The decline by € -179 million was mainly due to lower EBITDA pre and to an increase in inventories.

## GROUP

### Business free cash flow<sup>1,2</sup>

| € million  | Q3 2018    | Q3 2017    | Change        | Jan.-Sept. 2018 | Jan.-Sept. 2017 | Change        |
|--|------------|------------|---------------|-----------------|-----------------|---------------|
| EBITDA pre <sup>2</sup>  | 963        | 1,023      | -5.9%         | 2,850           | 3,285           | -13.2%        |
| Investments in property, plant and equipment, software as well as advance payments for intangible assets                       | -223       | -219       | 2.2%          | -530            | -535            | -1.1%         |
| Changes in inventories as reported in the consolidated balance sheet   | -50        | 10         | -             | -235            | -76             | > 100.0%      |
| Changes in trade accounts receivable and receivables from royalties and licenses as reported in the consolidated balance sheet | 21         | 75         | -72.2%        | -142            | -30             | > 100.0%      |
| <b>Business free cash flow<sup>2</sup></b>   | <b>711</b> | <b>890</b> | <b>-20.1%</b> | <b>1,943</b>    | <b>2,643</b>    | <b>-26.5%</b> |

<sup>1</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods" under "Supplemental Financial Information".

<sup>2</sup> Not defined by International Financial Reporting Standards (IFRS).

In comparison with the year-earlier period, business free cash flow declined by € -700 million to € 1,943 million in the first nine months of 2018 (January- September 2017: € 2,643 million). This decline primarily resulted from lower EBITDA pre as well as an increase in inventories and receivables.

# Healthcare

## HEALTHCARE

### Key figures<sup>1</sup>

| € million                            | Q3 2018 | Q3 2017 | Change | Jan.-Sept. 2018 | Jan.-Sept. 2017 | Change |
|--------------------------------------|---------|---------|--------|-----------------|-----------------|--------|
| Net sales                            | 1,596   | 1,498   | 6.6%   | 4,615           | 4,616           | -      |
| Operating result (EBIT) <sup>2</sup> | 191     | 539     | -64.6% | 541             | 1,267           | -57.3% |
| Margin (% of net sales) <sup>2</sup> | 12.0%   | 36.0%   |        | 11.7%           | 27.4%           |        |
| EBITDA <sup>2</sup>                  | 372     | 707     | -47.4% | 1,089           | 1,728           | -37.0% |
| Margin (% of net sales) <sup>2</sup> | 23.3%   | 47.2%   |        | 23.6%           | 37.4%           |        |
| EBITDA pre <sup>2</sup>              | 381     | 397     | -3.9%  | 1,141           | 1,433           | -20.4% |
| Margin (% of net sales) <sup>2</sup> | 23.9%   | 26.5%   |        | 24.7%           | 31.0%           |        |
| Business free cash flow <sup>2</sup> | 254     | 343     | -25.9% | 784             | 1,119           | -29.9% |

<sup>1</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods" under "Supplemental Financial Information".

<sup>2</sup> Not defined by International Financial Reporting Standards (IFRS).

### DEVELOPMENT OF NET SALES AND RESULTS OF OPERATIONS

In the third quarter of 2018, our Healthcare business sector generated net sales of € 1,596 million (Q3 2017: € 1,498 million). This reflected organic growth of 9.9% and negative foreign exchange effects of -3.3%. The foreign exchange effect

was mainly due to the decline in the value of the Turkish lira, the Russian ruble and individual Latin American currencies.

Sales of the key product lines and products developed in the third quarter of 2018 as follows:

## HEALTHCARE

### Net sales by major product lines/products

| € million                        | Q3 2018      | Share       | Organic growth <sup>1</sup> | Exchange rate effects | Total change | Q3 2017 <sup>2</sup> | Share       |
|----------------------------------|--------------|-------------|-----------------------------|-----------------------|--------------|----------------------|-------------|
| Oncology                         | 245          | 15%         | 10.2%                       | -4.5%                 | 5.7%         | 232                  | 15%         |
| <i>thereof: Erbitux®</i>         | 212          | 13%         | 7.0%                        | -5.0%                 | 2.1%         | 207                  | 14%         |
| <i>thereof: Bavencio®</i>        | 19           | 1%          | > 100.0%                    | -2.0%                 | > 100.0%     | 7                    | 0%          |
| Neurology & Immunology           | 387          | 24%         | 0.4%                        | -1.6%                 | -1.2%        | 392                  | 26%         |
| <i>thereof: Rebif®</i>           | 363          | 23%         | -5.2%                       | -1.5%                 | -6.7%        | 389                  | 26%         |
| <i>thereof: Mavenclad®</i>       | 25           | 1%          | > 100.0%                    | -8.5%                 | > 100.0%     | 3                    | 0%          |
| Fertility                        | 298          | 19%         | 17.9%                       | -4.5%                 | 13.4%        | 263                  | 18%         |
| <i>thereof: Gonal-f®</i>         | 182          | 11%         | 12.2%                       | -4.2%                 | 8.0%         | 169                  | 11%         |
| General Medicine & Endocrinology | 587          | 37%         | 10.0%                       | -3.9%                 | 6.1%         | 554                  | 37%         |
| <i>thereof: Glucophage®</i>      | 188          | 12%         | 25.6%                       | -4.3%                 | 21.2%        | 155                  | 10%         |
| <i>thereof: Concor®</i>          | 116          | 7%          | 13.0%                       | -3.8%                 | 9.2%         | 106                  | 7%          |
| <i>thereof: Euthyrox®</i>        | 91           | 6%          | 1.3%                        | -3.8%                 | -2.5%        | 93                   | 6%          |
| <i>thereof: Saizen®</i>          | 55           | 3%          | -4.7%                       | -5.9%                 | -10.6%       | 62                   | 4%          |
| Other                            | 79           | 5%          |                             |                       |              | 58                   | 4%          |
| <b>Healthcare</b>                | <b>1,596</b> | <b>100%</b> | <b>9.9%</b>                 | <b>-3.3%</b>          | <b>6.6%</b>  | <b>1,498</b>         | <b>100%</b> |

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

<sup>2</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods" under "Supplemental Financial Information".



Sales of the drug Rebif<sup>®</sup>, which is used to treat relapsing forms of multiple sclerosis, declined organically by –5.2% in the third quarter of 2018. Including a negative exchange rate effect of –1.5%, sales amounted to € 363 million (Q3 2017: € 389 million). In North America, the largest sales market for Rebif<sup>®</sup>, sales decreased organically by –1.8% to € 241 million (Q3 2017: € 245 million). The development was due to the competitive situation in the interferons market, which remains difficult and could not be offset by a price increase made in February 2018. Competitive pressure in Europe was responsible for the organic sales decline of –15.5%. In addition, the impact of foreign exchange was –1.8%. Consequently, Rebif sales totaled € 91 million in Europe (Q3 2017: € 111 million). In the remaining regions, sales amounted to € 31 million (Q3 2017: € 33 million). This decrease was largely attributable to adverse foreign exchange effects.

Sales of the oncology drug Erbitux<sup>®</sup> totaled € 212 million in the third quarter of 2018 (Q3 2017: € 207 million). This

increase resulted from organic growth of 7.0%, to which all regions contributed, offset by negative exchange rate effects of –5.0%. Organic growth in Europe amounted to 6.3% and was largely attributable to the development in Russia and Turkey. In the other European countries, organic sales performance was impacted by the continued difficult competitive environment and price reductions in individual cases. Taking into account currency headwinds of –2.3%, sales amounted to € 111 million (Q3 2017: € 107 million). In the Asia-Pacific region, organic growth of 1.2% was canceled out by negative exchange rate effects (–1.3%). Consequently, net sales were at the year-earlier level (€ 68 million). The Latin America region recorded organic growth of 11.9%. However, owing to negative foreign exchange effects of –31.0%, sales decreased to € 17 million (Q3 2017: € 21 million). In the Middle East and Africa region, sales rose organically (+40.3%). Including slightly negative foreign exchange effects, they totaled € 15 million (Q3 2017: € 11 million).

## HEALTHCARE

### Product sales and organic growth<sup>1</sup> of Rebif<sup>®</sup> and Erbitux<sup>®</sup> by region – Q3 2018

|   | Total | Europe | North America | Asia-Pacific (APAC) | Latin America | Middle East and Africa (MEA) |
|---|-------|--------|---------------|---------------------|---------------|------------------------------|
| € million   | 363   | 91     | 241           | 3                   | 11            | 17                           |
| Rebif <sup>®</sup> Organic growth <sup>1</sup> in %   | –5.2% | –15.5% | –1.8%         | –12.1%              | 0.6%          | 11.2%                        |
| % of sales  | 100%  | 25%    | 66%           | 1%                  | 3%            | 5%                           |
| € million   | 212   | 111    | –             | 68                  | 17            | 15                           |
| Erbitux <sup>®</sup> Organic growth <sup>1</sup> in % | 7.0%  | 6.3%   | –             | 1.2%                | 11.9%         | 40.3%                        |
| % of sales  | 100%  | 53%    | –             | 32%                 | 8%            | 7%                           |

<sup>1</sup>Not defined by International Financial Reporting Standards (IFRS).

With the product Mavenclad<sup>®</sup>, a medicine for the oral short-course treatment of highly active relapsing multiple sclerosis, sales of € 25 million were generated in the third quarter of 2018 following approval in Europe in August 2017 (Q3 2017: € 3 million). Sales of Bavencio<sup>®</sup>, an immuno-oncology medicine, increased to € 19 million (Q3 2017: € 7 million) after receiving approvals in further indications and regions in 2017.

Gonal-f<sup>®</sup>, the leading recombinant hormone used in the treatment of infertility, generated sales of € 182 million (Q3 2017: € 169 million). Organic growth of 12.2%, to which all regions contributed, was partly offset by negative exchange rate effects (–4.2%). Good organic sales increases were achieved in particular in North America and Asia-Pacific.

The General Medicine & Endocrinology franchise (including CardioMetabolic Care), which commercializes products to treat cardiovascular diseases, thyroid disorders, diabetes and growth disorders, among other things, delivered an organic

sales increase of 10.0% amid a negative exchange rate effect of –3.9%, yielding net sales of € 587 million (Q3 2017: € 554 million). The diabetes treatment Glucophage<sup>®</sup>, the top-selling product in this franchise, fueled this development with organic sales growth of 25.6%, which was mainly achieved in the Asia-Pacific region. Taking into account currency headwinds of –4.3%, sales of Glucophage<sup>®</sup> amounted to € 188 million (Q3 2017: € 155 million). The beta-blocker Concor<sup>®</sup> also delivered double-digit organic growth of 13.0% and generated sales of € 116 million (Q3 2017: € 106 million). With the exception of Europe, where sales were at the year-earlier level, all the remaining regions reported double-digit organic growth. At € 91 million, sales of Euthyrox<sup>®</sup>, a drug to treat thyroid disorders, were slightly below the year-earlier quarter (Q3 2017: € 93 million). Saizen<sup>®</sup>, the top-selling product in the Endocrinology franchise, generated sales of € 55 million in the third quarter of 2018 (Q3 2017: € 62 million).

Net sales of the business sector by region developed in the third quarter of 2018 as follows:

## HEALTHCARE

### Net sales by region

| € million                    | Q3 2018      | Share       | Organic growth <sup>1</sup> | Exchange rate effects | Acquisitions/divestments | Total change | Q3 2017 <sup>2</sup> | Share       |
|------------------------------|--------------|-------------|-----------------------------|-----------------------|--------------------------|--------------|----------------------|-------------|
| Europe                       | 543          | 34%         | 8.2%                        | -2.8%                 | -                        | 5.3%         | 515                  | 35%         |
| North America                | 372          | 23%         | 2.5%                        | -                     | -                        | 2.4%         | 363                  | 24%         |
| Asia-Pacific (APAC)          | 401          | 25%         | 14.1%                       | -2.1%                 | -                        | 12.0%        | 358                  | 24%         |
| Latin America                | 161          | 10%         | 12.5%                       | -15.6%                | -                        | -3.1%        | 166                  | 11%         |
| Middle East and Africa (MEA) | 119          | 8%          | 27.6%                       | -2.2%                 | -                        | 25.4%        | 95                   | 6%          |
| <b>Healthcare</b>            | <b>1,596</b> | <b>100%</b> | <b>9.9%</b>                 | <b>-3.3%</b>          | <b>-</b>                 | <b>6.6%</b>  | <b>1,498</b>         | <b>100%</b> |

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

<sup>2</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods" under "Supplemental Financial Information".

In the first nine months of 2018, the business sector recorded net sales of € 4,615 million (January-September 2017: € 4,616 million). Organic growth of 5.1% was offset by negative foreign exchange effects (-5.2%). Organic sales performance was driven mainly by products from the Fertility franchise, which generated sales of € 864 million (January-September 2017: € 821 million). Sales of Gonal-f® grew organically by 5.5%, due in particular to performance in North America, Asia-Pacific and Latin America. Other Fertility products delivered double-digit organic growth rates across all regions, especially in Europe and Asia-Pacific. Initial sales of Mavenclad® following approval in August 2017 partly offset the decline in Rebif® sales. The

increase in Bavencio® sales, particularly in North America and Europe owing to approvals in further indications and regions, continued to contribute positively to organic sales performance. Glucophage® from the General Medicine & Endocrinology franchise generated sales of € 517 million (January-September 2017: € 485 million). Organic growth of 11.5% resulted mainly from performance in Asia-Pacific and Latin America.

The impact of foreign exchange effects on the business sector's net sales in the first nine months (-5.2%) was mainly due to the development of the U.S. dollar, the Turkish lira and the Chinese renminbi as well as individual Latin American currencies.

## HEALTHCARE

### Net sales by major product lines/products

| € million                        | Jan.-Sept. 2018 | Share       | Organic growth <sup>1</sup> | Exchange rate effects | Total change | Jan.-Sept. 2017 <sup>2</sup> | Share       |
|----------------------------------|-----------------|-------------|-----------------------------|-----------------------|--------------|------------------------------|-------------|
| Oncology                         | 707             | 15%         | 5.3%                        | -4.9%                 | 0.4%         | 704                          | 15%         |
| <i>thereof: Erbitux®</i>         | 615             | 13%         | 1.4%                        | -5.1%                 | -3.7%        | 638                          | 14%         |
| <i>thereof: Bavencio®</i>        | 48              | 1%          | > 100.0%                    | -23.4%                | > 100.0%     | 11                           | 0%          |
| Neurology & Immunology           | 1,152           | 25%         | -0.9%                       | -5.7%                 | -6.5%        | 1,233                        | 27%         |
| <i>thereof: Rebif®</i>           | 1,094           | 24%         | -5.4%                       | -5.6%                 | -11.0%       | 1,229                        | 27%         |
| <i>thereof: Mavenclad®</i>       | 58              | 1%          | > 100.0%                    | -21.3%                | > 100.0%     | 3                            | 0%          |
| Fertility                        | 864             | 19%         | 11.3%                       | -6.0%                 | 5.3%         | 821                          | 18%         |
| <i>thereof: Gonal-f®</i>         | 532             | 12%         | 5.5%                        | -5.7%                 | -0.2%        | 533                          | 12%         |
| General Medicine & Endocrinology | 1,688           | 37%         | 3.8%                        | -4.9%                 | -1.1%        | 1,707                        | 37%         |
| <i>thereof: Glucophage®</i>      | 517             | 11%         | 11.5%                       | -5.0%                 | 6.5%         | 485                          | 11%         |
| <i>thereof: Concor®</i>          | 335             | 7%          | 4.4%                        | -4.6%                 | -0.2%        | 336                          | 7%          |
| <i>thereof: Euthyrox®</i>        | 265             | 6%          | 0.3%                        | -4.3%                 | -4.0%        | 276                          | 6%          |
| <i>thereof: Saizen®</i>          | 172             | 4%          | -4.1%                       | -6.4%                 | -10.5%       | 192                          | 4%          |
| Other                            | 204             | 4%          | -                           | -                     | -            | 151                          | 3%          |
| <b>Healthcare</b>                | <b>4,615</b>    | <b>100%</b> | <b>5.1%</b>                 | <b>-5.2%</b>          | <b>-</b>     | <b>4,616</b>                 | <b>100%</b> |

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

<sup>2</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods" under "Supplemental Financial Information".

In the first nine months of 2018, sales by region developed as follows:

## HEALTHCARE

### Net sales by region

| € million                       | Jan.-Sept.<br>2018 | Share       | Organic<br>growth <sup>1</sup> | Exchange rate<br>effects | Acquisitions/<br>divestments | Total change | Jan.-Sept.<br>2017 <sup>2</sup> | Share       |
|---------------------------------|--------------------|-------------|--------------------------------|--------------------------|------------------------------|--------------|---------------------------------|-------------|
| Europe                          | 1,637              | 35%         | 5.5%                           | -2.3%                    | -                            | 3.3%         | 1,585                           | 34%         |
| North America                   | 1,076              | 23%         | 1.5%                           | -6.5%                    | -                            | -5.0%        | 1,132                           | 25%         |
| Asia-Pacific (APAC)             | 1,104              | 24%         | 6.7%                           | -3.7%                    | -                            | 3.0%         | 1,072                           | 23%         |
| Latin America                   | 486                | 11%         | 10.0%                          | -14.7%                   | -                            | -4.7%        | 510                             | 11%         |
| Middle East and<br>Africa (MEA) | 312                | 7%          | 2.8%                           | -4.6%                    | -                            | -1.8%        | 318                             | 7%          |
| <b>Healthcare</b>               | <b>4,615</b>       | <b>100%</b> | <b>5.1%</b>                    | <b>-5.2%</b>             | <b>-</b>                     | <b>-</b>     | <b>4,616</b>                    | <b>100%</b> |

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

<sup>2</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods" under "Supplemental Financial Information".

The results of operations developed as follows:

## HEALTHCARE

### Results of operations<sup>1</sup>

| € million  | Q3 2018      | Q3 2017      | Change        | Jan.-Sept.<br>2018 | Jan.-Sept.<br>2017 | Change        |
|--|--------------|--------------|---------------|--------------------|--------------------|---------------|
| <b>Net sales</b>   | <b>1,596</b> | <b>1,498</b> | <b>6.6%</b>   | <b>4,615</b>       | <b>4,616</b>       | <b>-</b>      |
| Cost of sales  | -364         | -317         | 14.6%         | -1,040             | -981               | 6.1%          |
| <b>Gross profit</b>  | <b>1,233</b> | <b>1,180</b> | <b>4.4%</b>   | <b>3,575</b>       | <b>3,636</b>       | <b>-1.7%</b>  |
| Marketing and selling expenses   | -571         | -583         | -1.9%         | -1,714             | -1,767             | -3.0%         |
| Administration costs   | -72          | -64          | 13.2%         | -225               | -203               | 10.7%         |
| Research and development costs   | -409         | -416         | -1.5%         | -1,195             | -1,166             | 2.5%          |
| Remaining operating expenses and income  | 12           | 421          | -97.2%        | 100                | 767                | -87.0%        |
| <b>Operating result (EBIT)<sup>2</sup></b>                                     | <b>191</b>   | <b>539</b>   | <b>-64.6%</b> | <b>541</b>         | <b>1,267</b>       | <b>-57.3%</b> |
| Depreciation/amortization/impairment losses/<br>reversals of impairment losses | 181          | 168          | 8.0%          | 548                | 462                | 18.7%         |
| (of which: adjustments)  | (-)          | (-17)        | (-)           | (-)                | (-84)              | (-)           |
| <b>EBITDA<sup>2</sup></b>  | <b>372</b>   | <b>707</b>   | <b>-47.4%</b> | <b>1,089</b>       | <b>1,728</b>       | <b>-37.0%</b> |
| Restructuring costs  | 5            | -1           | -             | 5                  | -                  | -             |
| Integration costs/IT costs   | 5            | 5            | 2.5%          | 12                 | 16                 | -28.8%        |
| Gains/losses on the divestment of businesses                                   | -2           | -315         | -99.4%        | 35                 | -325               | > 100.0%      |
| Acquisition-related adjustments  | -            | -            | -             | -                  | -                  | -             |
| Other adjustments  | 1            | -            | -             | -                  | 14                 | -             |
| <b>EBITDA pre<sup>2</sup></b>  | <b>381</b>   | <b>397</b>   | <b>-3.9%</b>  | <b>1,141</b>       | <b>1,433</b>       | <b>-20.4%</b> |

<sup>1</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods" under "Supplemental Financial Information".

<sup>2</sup> Not defined by International Financial Reporting Standards (IFRS).

In the third quarter of 2018, gross profit of our Healthcare business sector rose to € 1,233 million (Q3 2017: € 1,180 million). The resulting gross margin was 77.2% (Q3 2017: 78.8%).

The decrease in marketing and selling expenses was due mainly to foreign exchange effects. Research and development costs reflected continued investments in the Biopharma development pipeline and amounted to € 409 million (Q3 2017: € 416 million). The change in remaining operating expenses and income was primarily due to the gain on the divestment of the Biosimilars business in August 2017 amounting to € 321 million, which was eliminated in the calculation of EBITDA pre. Furthermore, the year-earlier quarter included income in connection with two milestone payments for the approvals of Bavencio® in Europe and Japan in Merck cell carcinoma totaling € 50 million. Likewise, the reversal of the impairment loss of € 17 million on the intangible asset for cladribine tablets owing to the regulatory approval of Mavenclad® had positively impacted the result of the year-earlier quarter. EBITDA pre declined by -3.9% to € 381 million in the third quarter of 2018 (Q3 2017: € 397 million). Negative foreign exchange effects of -7.7% impacted this indicator and canceled out organic growth of 3.8%. The EBITDA pre margin was 23.9% (Q3 2017: 26.5%).

In the first nine months of 2018, our Healthcare business sector recorded a decline of -20.4% in EBITDA pre, which amounted to € 1,141 million (January-September 2017: € 1,433 million). The negative foreign exchange impact on EBITDA pre was -11.7%. In addition, the development of EBITDA pre was affected by the following factors: In the year-earlier period, income from a contractually agreed one-time payment of € 116 million for future license payments as well as milestone payments recognized as income for Bavencio® (€ 124 million) had a positive effect. The reporting period from January to September 2018 included receipt of a milestone payment of € 50 million from BioMarin Pharmaceutical Inc., USA, in connection with the sale of the rights to Peg-Pal in 2016.

In the first nine months of 2018, the EBITDA pre margin decreased to 24.7% (January-September 2017: 31.0%).

#### DEVELOPMENT OF BUSINESS FREE CASH FLOW

In the third quarter of 2018, business free cash flow amounted to € 254 million (Q3 2017: € 343 million). The decrease was mainly due to higher investments in property plant and equipment as well as to the development of receivables.

## HEALTHCARE

### Business free cash flow<sup>1,2</sup>

| € million  | Q3 2018    | Q3 2017    | Change        | Jan.-Sept. 2018 | Jan.-Sept. 2017 | Change        |
|--|------------|------------|---------------|-----------------|-----------------|---------------|
| EBITDA pre <sup>2</sup>  | 381        | 397        | -3.9%         | 1,141           | 1,433           | -20.4%        |
| Investments in property, plant and equipment, software as well as advance payments for intangible assets | -103       | -78        | 31.5%         | -215            | -203            | 5.9%          |
| Changes in inventories   | -18        | -6         | > 100.0%      | -60             | -23             | >100.0%       |
| Changes in trade accounts receivable and receivables from royalties and licenses                         | -6         | 31         | > 100.0%      | -82             | -89             | -7.5%         |
| <b>Business free cash flow<sup>2</sup></b>   | <b>254</b> | <b>343</b> | <b>-25.9%</b> | <b>784</b>      | <b>1,119</b>    | <b>-29.9%</b> |

<sup>1</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods" under "Supplemental Financial Information".

<sup>2</sup> Not defined by International Financial Reporting Standards (IFRS).

In the first nine months of 2018, business free cash flow decreased to € 784 million (January-September 2017: € 1,119 million). Lower EBITDA pre as well as an increase in inventories were mainly responsible for this.

# Life Science

## LIFE SCIENCE

### Key figures

| € million                            | Q3 2018 | Q3 2017 | Change | Jan.–Sept. 2018 | Jan.–Sept. 2017 | Change |
|--------------------------------------|---------|---------|--------|-----------------|-----------------|--------|
| Net sales                            | 1,527   | 1,408   | 8.5%   | 4,557           | 4,385           | 3.9%   |
| Operating result (EBIT) <sup>1</sup> | 277     | 220     | 25.6%  | 804             | 677             | 18.7%  |
| Margin (% of net sales) <sup>1</sup> | 18.1%   | 15.6%   |        | 17.6%           | 15.4%           |        |
| EBITDA <sup>1</sup>                  | 449     | 401     | 11.9%  | 1,333           | 1,242           | 7.3%   |
| Margin (% of net sales) <sup>1</sup> | 29.4%   | 28.5%   |        | 29.3%           | 28.3%           |        |
| EBITDA pre <sup>1</sup>              | 460     | 426     | 8.1%   | 1,367           | 1,325           | 3.1%   |
| Margin (% of net sales) <sup>1</sup> | 30.1%   | 30.2%   |        | 30.0%           | 30.2%           |        |
| Business free cash flow <sup>1</sup> | 411     | 416     | -1.3%  | 1,055           | 1,120           | -5.9%  |

<sup>1</sup>Not defined by International Financial Reporting Standards (IFRS).

### DEVELOPMENT OF SALES AND RESULTS OF OPERATIONS

In the third quarter of 2018, Life Science generated an 8.5% increase in net sales, which totaled € 1,527 million (Q3 2017: € 1,408 million). This reflected strong organic sales growth of

9.8% and an unfavorable foreign exchange impact of -1.4%. All three business units contributed to organic growth, with the largest absolute contribution coming from Process Solutions, specifically the BioProcessing business field, and followed by Applied Solutions.

## LIFE SCIENCE

### Net sales by business unit

| € million           | Q3 2018      | Share       | Organic growth <sup>1</sup> | Exchange rate effects | Acquisitions/divestments | Total change | Q3 2017 <sup>2</sup> | Share       |
|---------------------|--------------|-------------|-----------------------------|-----------------------|--------------------------|--------------|----------------------|-------------|
| Process Solutions   | 619          | 40%         | 16.3%                       | -1.1%                 | -                        | 15.3%        | 537                  | 38%         |
| Research Solutions  | 500          | 33%         | 4.3%                        | -1.4%                 | -                        | 2.9%         | 486                  | 35%         |
| Applied Solutions   | 408          | 27%         | 7.8%                        | -1.9%                 | -                        | 5.9%         | 386                  | 27%         |
| <b>Life Science</b> | <b>1,527</b> | <b>100%</b> | <b>9.8%</b>                 | <b>-1.4%</b>          | <b>-</b>                 | <b>8.5%</b>  | <b>1,408</b>         | <b>100%</b> |

<sup>1</sup>Not defined by International Financial Reporting Standards (IFRS).

<sup>2</sup> Previous year's figures have been adjusted due to an internal realignment.

The Process Solutions business unit, which markets products and services for the entire pharmaceutical production value chain, generated strong organic sales growth of 16.3% in the third quarter of 2018 (Q3 2017: 5.2%). Including a negative foreign exchange effect of -1.1%, sales totaled € 619 million in the third quarter of 2018 (Q3 2017: € 537 million). Process Solutions thus accounted for 40% (Q3 2017: 38%) of Life Science net sales. The organic sales increase was primarily driven by the BioProcessing business field in the Asia-Pacific and European markets. In addition, the performance of Process Solutions in the year-earlier quarter was less dynamic owing to weaker growth among various global key accounts.

The Research Solutions business unit, which provides products and services to support life science work in pharmaceutical, biotechnology, and academic research laboratories, recorded a moderate organic sales increase of 4.3%. Partially offset by unfavorable foreign exchange effects of -1.4%, net sales amounted to € 500 million (Q3 2017: € 486 million). All the franchises within Research Solutions contributed to organic growth in the third quarter of 2018. In particular, Research Solutions benefits from continued strong demand in the Asia-Pacific region. The share of business sector sales accounted for by Research Solutions was 33% in the third quarter of 2018 (Q3 2017: 35%).

Applied Solutions, which accounted for an unchanged 27% share of Life Science sales in the third quarter of 2018, delivered strong organic sales growth of 7.8% with its broad range of products for researchers as well as scientific and industrial laboratories. Organic sales increases were recorded across the entire Applied Solutions portfolio and were driven primarily by

the North American and Asia-Pacific markets. The Lab Water and Gene Editing business fields fueled the organic sales growth of Applied Solutions. Due to negative exchange rate effects of -1.9%, sales totaled € 408 million (Q3 2017: € 386 million).

Net sales of the business sector by region developed as follows:

## LIFE SCIENCE

### Net sales by region

| € million                    | Q3 2018      | Share       | Organic growth <sup>1</sup> | Exchange rate effects | Acquisitions/divestments | Total change | Q3 2017      | Share       |
|------------------------------|--------------|-------------|-----------------------------|-----------------------|--------------------------|--------------|--------------|-------------|
| Europe                       | 516          | 34%         | 8.3%                        | -0.3%                 | -                        | 7.9%         | 478          | 34%         |
| North America                | 544          | 36%         | 7.1%                        | 0.1%                  | -                        | 7.3%         | 507          | 36%         |
| Asia-Pacific (APAC)          | 381          | 25%         | 16.7%                       | -1.7%                 | -                        | 14.9%        | 331          | 23%         |
| Latin America                | 67           | 4%          | 14.0%                       | -18.2%                | -                        | -4.2%        | 70           | 5%          |
| Middle East and Africa (MEA) | 21           | 1%          | -8.8%                       | -1.6%                 | -                        | -10.4%       | 23           | 2%          |
| <b>Life Science</b>          | <b>1,527</b> | <b>100%</b> | <b>9.8%</b>                 | <b>-1.4%</b>          | <b>-</b>                 | <b>8.5%</b>  | <b>1,408</b> | <b>100%</b> |

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

In the first nine months of 2018, the business sector's net sales increased over the year-earlier period by 3.9% to € 4,557 million (January-September 2017: € 4,385 million). This growth rate comprises strong organic growth of 8.8% and a negative

foreign exchange impact of -4.8%. Here too, all business units contributed favorably to organic growth, with Process Solutions as the primary contributor.

## LIFE SCIENCE

### Net sales by business unit

| € million           | Jan.-Sept. 2018 | Share       | Organic growth <sup>1</sup> | Exchange rate effects | Acquisitions/divestments | Total change | Jan.-Sept. 2017 <sup>2</sup> | Share       |
|---------------------|-----------------|-------------|-----------------------------|-----------------------|--------------------------|--------------|------------------------------|-------------|
| Process Solutions   | 1,815           | 40%         | 14.3%                       | -4.8%                 | -                        | 9.4%         | 1,658                        | 38%         |
| Research Solutions  | 1,525           | 33%         | 4.3%                        | -4.7%                 | -                        | -0.5%        | 1,533                        | 35%         |
| Applied Solutions   | 1,217           | 27%         | 6.9%                        | -5.0%                 | -                        | 1.9%         | 1,194                        | 27%         |
| <b>Life Science</b> | <b>4,557</b>    | <b>100%</b> | <b>8.8%</b>                 | <b>-4.8%</b>          | <b>-</b>                 | <b>3.9%</b>  | <b>4,385</b>                 | <b>100%</b> |

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

<sup>2</sup> Previous year's figures have been adjusted due to an internal realignment.

Process Solutions generated very dynamic organic sales growth of 14.3% in the first nine months of 2018. Including the negative foreign exchange effect of -4.8%, sales amounted to € 1,815 million (January-September 2017: € 1,658 million). This business unit thus accounted for 40% (January-September 2017: 38%) of the business sector's net sales.

Research Solutions generated organic sales growth of 4.3% in the first nine months of 2018. However, due to the unfavorable foreign exchange impact of -4.7%, sales amounted to

€ 1,525 million (January-September 2017: € 1,533 million). Research Solutions accounted for 33% (January-September 2017: 35%) of net sales.

Applied Solutions generated organic growth of 6.9% in the first nine months of 2018. Including the unfavorable foreign exchange impact of -5.0%, sales amounted to € 1,217 million (January-September 2017: € 1,194 million). Applied Solutions accounted for 27% of Life Science net sales, similar to the first nine months of 2017.

In the first nine months of 2018, net sales by region developed as follows:

## LIFE SCIENCE

### Net sales by region

| € million                       | Jan.-Sept.<br>2018 | Share       | Organic<br>growth <sup>1</sup> | Exchange rate<br>effects | Acquisitions/<br>divestments | Total change | Jan.-Sept.<br>2017 | Share       |
|---------------------------------|--------------------|-------------|--------------------------------|--------------------------|------------------------------|--------------|--------------------|-------------|
| Europe                          | 1,575              | 35%         | 6.3%                           | -1.0%                    | -                            | 5.4%         | 1,495              | 34%         |
| North America                   | 1,585              | 35%         | 7.6%                           | -7.0%                    | -                            | 0.6%         | 1,575              | 36%         |
| Asia-Pacific (APAC)             | 1,138              | 25%         | 15.1%                          | -5.0%                    | -                            | 10.0%        | 1,034              | 23%         |
| Latin America                   | 196                | 4%          | 9.6%                           | -16.3%                   | -                            | -6.6%        | 210                | 5%          |
| Middle East and<br>Africa (MEA) | 64                 | 1%          | -9.0%                          | -1.9%                    | -                            | -10.9%       | 71                 | 2%          |
| <b>Group</b>                    | <b>4,557</b>       | <b>100%</b> | <b>8.8%</b>                    | <b>-4.8%</b>             | <b>-</b>                     | <b>3.9%</b>  | <b>4,385</b>       | <b>100%</b> |

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

The results of operations developed as follows:

## LIFE SCIENCE

### Results of operations

| € million  | Q3 2018      | Q3 2017      | Change       | Jan.-Sept.<br>2018 | Jan.-Sept.<br>2017 | Change       |
|--|--------------|--------------|--------------|--------------------|--------------------|--------------|
| <b>Net sales</b>   | <b>1,527</b> | <b>1,408</b> | <b>8.5%</b>  | <b>4,557</b>       | <b>4,385</b>       | <b>3.9%</b>  |
| Cost of sales  | -656         | -632         | 3.8%         | -1,984             | -1,902             | 4.3%         |
| <b>Gross profit</b>  | <b>871</b>   | <b>776</b>   | <b>12.3%</b> | <b>2,574</b>       | <b>2,483</b>       | <b>3.7%</b>  |
| Marketing and selling expenses   | -443         | -412         | 7.6%         | -1,302             | -1,303             | -0.1%        |
| Administration costs   | -69          | -59          | 17.0%        | -199               | -194               | 2.4%         |
| Research and development costs   | -59          | -60          | -2.5%        | -179               | -190               | -5.5%        |
| Remaining operating expenses and income  | -23          | -24          | -3.5%        | -90                | -118               | -24.1%       |
| <b>Operating result (EBIT)<sup>1</sup></b>                                     | <b>277</b>   | <b>220</b>   | <b>25.6%</b> | <b>804</b>         | <b>677</b>         | <b>18.7%</b> |
| Depreciation/amortization/impairment losses/<br>reversals of impairment losses | 173          | 181          | -4.7%        | 530                | 565                | -6.2%        |
| (of which: adjustments)  | (5)          | (-)          | (-)          | (21)               | (3)                | (> 100.0%)   |
| <b>EBITDA<sup>1</sup></b>  | <b>449</b>   | <b>401</b>   | <b>11.9%</b> | <b>1,333</b>       | <b>1,242</b>       | <b>7.3%</b>  |
| Restructuring costs  | -2           | 1            | > 100.0%     | -                  | 3                  | -            |
| Integration costs/IT costs   | 12           | 23           | -47.8%       | 31                 | 50                 | -37.7%       |
| Gains/losses on the divestment of businesses                                   | -            | -            | -            | -                  | 1                  | -            |
| Acquisition-related adjustments  | 1            | 1            | -2.4%        | 2                  | 12                 | -85.1%       |
| Other adjustments  | -            | -            | -            | 1                  | 18                 | -95.8%       |
| <b>EBITDA pre<sup>2</sup></b>  | <b>460</b>   | <b>426</b>   | <b>8.1%</b>  | <b>1,367</b>       | <b>1,325</b>       | <b>3.1%</b>  |

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

As a consequence of the strong increase in net sales, gross profit increased by 12.3% to € 871 million in the third quarter of 2018. Gross margin improved over the year-earlier period to 57.0% (Q3 2017: 55.1%).

This increase was partly offset by higher marketing and selling expenses resulting from select investments in e-commerce and strategic initiatives. Administration expenses mainly

increased due to phasing of IT projects. Research and development costs decreased slightly by -2.5%. This was mainly due to the timing of project spending.

In comparison with the year-earlier quarter, the operating result (EBIT) of Life Science rose by 25.6% to € 277 million. After eliminating depreciation and amortization, and adjustments, EBITDA pre, the most important performance

indicator, increased by 8.1% to € 460 million (Q3 2017: € 426 million). Organically, EBITDA pre improved by 11.9% over the year-earlier quarter. In the third quarter of 2018, negative foreign exchange effects adversely impacted this indicator by -3.7% compared with the year-earlier quarter. The EBITDA pre margin was stable in comparison with the year-earlier quarter.

In the first nine months of 2018, EBITDA pre of our Life Science business sector rose by 3.1% to € 1,367 million, reflecting strong organic growth and the stable development

of the operating business. EBITDA pre consisted of organic growth of 8.0% offset by a negative foreign exchange impact of -4.9%.

#### DEVELOPMENT OF BUSINESS FREE CASH FLOW

In the third quarter of 2018, Life Science generated business free cash flow of € 411 million (Q3 2017: € 416 million). The slight decrease was primarily due to higher inventory levels driven by strong sales growth. The increase in EBITDA pre could not fully compensate for the resulting tie-up of funds.

## LIFE SCIENCE

### Business free cash flow<sup>1</sup>

| € million  | Q3 2018    | Q3 2017    | Change       | Jan.-Sept. 2018 | Jan.-Sept. 2017 | Change       |
|--|------------|------------|--------------|-----------------|-----------------|--------------|
| EBITDA pre <sup>1</sup>  | 460        | 426        | 8.1%         | 1,367           | 1,325           | 3.1%         |
| Investments in property, plant and equipment, software as well as advance payments for intangible assets | -76        | -73        | 2.9%         | -173            | -191            | -9.5%        |
| Changes in inventories   | -33        | 15         | > 100.0%     | -132            | -37             | > 100.0%     |
| Changes in trade accounts receivable and receivables from royalties and licenses                         | 59         | 49         | 19.5%        | -8              | 22              | > 100.0%     |
| <b>Business free cash flow<sup>1</sup></b>   | <b>411</b> | <b>416</b> | <b>-1.3%</b> | <b>1,055</b>    | <b>1,120</b>    | <b>-5.9%</b> |

<sup>1</sup>Not defined by International Financial Reporting Standards (IFRS).

In the first nine months of 2018, business free cash flow of Life Science decreased by -5.9% to € 1,055 million (January-September 2017: € 1,120 million). Slightly higher EBITDA pre was more than offset by increased inventory levels driven by strong sales growth.



# Performance Materials

## PERFORMANCE MATERIALS

### Key figures

| € million                            | Q3 2018 | Q3 2017 | Change | Jan.–Sept. 2018 | Jan.–Sept. 2017 | Change |
|--------------------------------------|---------|---------|--------|-----------------|-----------------|--------|
| Net sales                            | 626     | 611     | 2.4%   | 1,776           | 1,867           | -4.9%  |
| Operating result (EBIT) <sup>1</sup> | 142     | 191     | -25.3% | 409             | 553             | -26.0% |
| Margin (% of net sales) <sup>1</sup> | 22.8%   | 31.2%   |        | 23.0%           | 29.6%           |        |
| EBITDA <sup>1</sup>                  | 202     | 246     | -18.0% | 586             | 734             | -20.1% |
| Margin (% of net sales) <sup>1</sup> | 32.3%   | 40.3%   |        | 33.0%           | 39.3%           |        |
| EBITDA pre <sup>1</sup>              | 203     | 249     | -18.3% | 595             | 752             | -20.9% |
| Margin (% of net sales) <sup>1</sup> | 32.5%   | 40.7%   |        | 33.5%           | 40.2%           |        |
| Business free cash flow <sup>1</sup> | 152     | 222     | -31.3% | 432             | 694             | -37.7% |

<sup>1</sup>Not defined by International Financial Reporting Standards (IFRS).

### DEVELOPMENT OF NET SALES AND RESULTS OF OPERATIONS

In the third quarter of 2018, net sales of our Performance Materials business sector increased by 2.4% to € 626 million (Q3 2017: € 611 million). Organic growth of 3.4% more than offset the negative exchange rate impact of -0.9%.

The Display Solutions business unit, consisting mainly of the business with liquid crystals, photoresists for display applications and OLED materials, accounted for slightly more than half of the net sales of Performance Materials. The sales increase in Display Solutions was driven mainly by the very good organic growth of the OLED materials business, energy-saving UB-FFS technology as well as established liquid crystal technologies. The latter are currently benefiting from projects by panel makers in China to build up production capacities.

The Semiconductor Solutions business unit comprises the business with materials used in integrated circuit production. In the third quarter of 2018, the business unit achieved very strong organic growth, which was mainly attributable to the dielectric materials business.

The Surface Solutions business unit comprises the businesses with pigments as well as functional and optoelectronic materials. In the third quarter of 2018, net sales of the Surface Solutions business unit declined overall, also impacted by negative exchange rate effects.

Net sales of the business sector by region developed as follows:

## PERFORMANCE MATERIALS

### Net sales by region

| € million                    | Q3 2018    | Share       | Organic growth <sup>1</sup> | Exchange rate effects | Acquisitions/divestments | Total change | Q3 2017    | Share       |
|------------------------------|------------|-------------|-----------------------------|-----------------------|--------------------------|--------------|------------|-------------|
| Europe                       | 52         | 8%          | -4.0%                       | -0.1%                 | -                        | -4.2%        | 55         | 9%          |
| North America                | 53         | 9%          | -3.0%                       | -                     | -                        | -3.1%        | 55         | 9%          |
| Asia-Pacific (APAC)          | 509        | 82%         | 5.1%                        | -1.0%                 | -                        | 4.2%         | 489        | 80%         |
| Latin America                | 9          | 1%          | -1.0%                       | -8.7%                 | -                        | -9.7%        | 10         | 2%          |
| Middle East and Africa (MEA) | 2          | 0%          | -27.8%                      | -                     | -                        | -27.7%       | 2          | 0%          |
| <b>Performance Materials</b> | <b>626</b> | <b>100%</b> | <b>3.4%</b>                 | <b>-0.9%</b>          | <b>-</b>                 | <b>2.4%</b>  | <b>611</b> | <b>100%</b> |

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

In the first nine months of 2018, sales of the business sector decreased by -4.9% to € 1,776 million (January-September 2017: € 1,867 million). This development was primarily due to a negative foreign exchange effect of -4.7%, stemming

mainly from a weaker U.S. dollar and weaker Asian currencies, for example the Taiwanese dollar. Organically, sales fell only slightly, by -0.2% compared with the previous year.

The slight decrease in sales in the first nine months of 2018 was particularly due to established liquid crystal technologies. The price declines customary in this industry were primarily responsible for this development. Surface Solutions showed weaker business performance. In the first nine months of 2018, the

Semiconductor Solutions business unit generated very strong organic growth.

In the first nine months of 2018, sales by region developed as follows:

## PERFORMANCE MATERIALS

### Net sales by region

| € million                       | Jan.-Sept.<br>2018 | Share       | Organic<br>growth <sup>1</sup> | Exchange rate<br>effects | Acquisitions/<br>divestments | Total change | Jan.-Sept.<br>2017 | Share       |
|---------------------------------|--------------------|-------------|--------------------------------|--------------------------|------------------------------|--------------|--------------------|-------------|
| Europe                          | 167                | 9%          | -5.8%                          | -0.3%                    | -                            | -6.1%        | 177                | 10%         |
| North America                   | 162                | 9%          | 0.4%                           | -6.8%                    | -                            | -6.4%        | 173                | 9%          |
| Asia-Pacific (APAC)             | 1,416              | 80%         | 0.6%                           | -4.9%                    | -                            | -4.4%        | 1,480              | 79%         |
| Latin America                   | 26                 | 2%          | -4.2%                          | -9.6%                    | -                            | -13.8%       | 30                 | 2%          |
| Middle East and<br>Africa (MEA) | 6                  | 0%          | -11.4%                         | -2.0%                    | -                            | -13.4%       | 7                  | 0%          |
| <b>Performance Materials</b>    | <b>1,776</b>       | <b>100%</b> | <b>-0.2%</b>                   | <b>-4.7%</b>             | <b>-</b>                     | <b>-4.9%</b> | <b>1,867</b>       | <b>100%</b> |

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

The results of operations developed as follows:

## PERFORMANCE MATERIALS

### Results of operations

| € million   | Q3 2018    | Q3 2017    | Change        | Jan.-Sept.<br>2018 | Jan.-Sept.<br>2017 | Change            |
|---|------------|------------|---------------|--------------------|--------------------|-------------------|
| <b>Net sales</b>  | <b>626</b> | <b>611</b> | <b>2.4%</b>   | <b>1,776</b>       | <b>1,867</b>       | <b>-4.9%</b>      |
| Cost of sales   | -322       | -287       | 12.1%         | -897               | -870               | 3.1%              |
| <b>Gross profit</b>   | <b>304</b> | <b>323</b> | <b>-6.1%</b>  | <b>879</b>         | <b>997</b>         | <b>-11.9%</b>     |
| Marketing and selling expenses  | -62        | -56        | 11.2%         | -183               | -181               | 0.7%              |
| Administration costs  | -22        | -18        | 22.3%         | -64                | -54                | 17.5%             |
| Research and development costs  | -65        | -57        | 14.5%         | -183               | -173               | 5.8%              |
| Remaining operating expenses and income   | -13        | -3         | > 100.0%      | -40                | -36                | 12.4%             |
| <b>Operating result (EBIT)<sup>1</sup></b>  | <b>142</b> | <b>191</b> | <b>-25.3%</b> | <b>409</b>         | <b>553</b>         | <b>-26.0%</b>     |
| Depreciation/amortization/impairment losses/<br>reversals of impairment losses<br>(of which: adjustments) | 60<br>(-)  | 56<br>(-)  | 7.4%<br>(-)   | 177<br>(1)         | 181<br>(7)         | -2.2%<br>(-84.0%) |
| <b>EBITDA<sup>1</sup></b>   | <b>202</b> | <b>246</b> | <b>-18.0%</b> | <b>586</b>         | <b>734</b>         | <b>-20.1%</b>     |
| Restructuring costs   | -          | -          | -             | -                  | 2                  | -                 |
| Integration costs/IT costs  | 1          | 2          | -50.8%        | 8                  | 11                 | -31.4%            |
| Gains/losses on the divestment of businesses  | -          | -          | -             | -                  | -                  | -                 |
| Acquisition-related adjustments   | -          | -          | -             | -                  | -                  | -                 |
| Other adjustments   | -          | -          | -             | 1                  | 5                  | -80.9%            |
| <b>EBITDA pre<sup>2</sup></b>   | <b>203</b> | <b>249</b> | <b>-18.3%</b> | <b>595</b>         | <b>752</b>         | <b>-20.9%</b>     |

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

In the third quarter of 2018, gross profit of our Performance Materials business sector was -6.1% below the year-earlier quarter, resulting in a gross margin of 48.5% (Q3 2017: 53.0%).

This was mainly due to a lower share of the business sector's sales from profitable liquid crystals and the price decline customary in the display industry. The operating result (EBIT)

decreased by -25.3% to € 142 million in the third quarter of 2018 (Q3 2017: € 191 million). This was due to the lower gross profit and, among other things, higher research and development costs in order to enable future growth, particularly in Semiconductor Solutions. EBITDA pre of the business sector declined by -18.3% to € 203 million (Q3 2017: € 249 million). The negative foreign exchange impact of -2.5% lowered this key performance indicator. Consequently, at 32.5%, the EBITDA pre margin was below the strong year-earlier figure (Q3 2017: 40.7%).

In the first nine months of 2018, gross profit amounted to € 879 million and was -11.9% below the previous year's level (January-September 2017: € 997 million). This was mainly due to a lower share of sales from profitable liquid crystals and the price decline customary in the display industry. At € 409 million, the operating result (EBIT) declined by -26.0%

compared with the year-earlier period (January-September 2017: € 553 million). This was due to the lower gross profit, higher administration expenses, as well as higher research and development costs in order to enable future growth, particularly in Semiconductor Solutions. EBITDA decreased by -20.9% to € 595 million (January-September 2017: € 752 million). This reflected a negative foreign exchange impact of -8.5%. Consequently, at 33.5%, the EBITDA pre margin was below the strong year-earlier amount (January-September 2017: 40.2%).

#### DEVELOPMENT OF BUSINESS FREE CASH FLOW

In the third quarter of 2018, business free cash flow of our Performance Materials business sector decreased to by -31.3% to € 152 million (Q3 2017: € 222 million). This was mainly attributable to the decline in EBITDA pre and the development of receivables.

## PERFORMANCE MATERIALS

### Business free cash flow<sup>1</sup>

| € million  | Q3 2018    | Q3 2017    | Change        | Jan.-Sept. 2018 | Jan.-Sept. 2017 | Change        |
|--|------------|------------|---------------|-----------------|-----------------|---------------|
| EBITDA pre <sup>1</sup>  | 203        | 249        | -18.3%        | 595             | 752             | -20.9%        |
| Investments in property, plant and equipment, software as well as advance payments for intangible assets | -31        | -27        | 13.8%         | -77             | -69             | 12.3%         |
| Changes in inventories   | 1          | 1          | -53.1%        | -44             | -16             | > 100.0%      |
| Changes in trade accounts receivable and receivables from royalties and licenses                         | -20        | -1         | > 100.0%      | -42             | 27              | > 100.0%      |
| <b>Business free cash flow<sup>1</sup></b>   | <b>152</b> | <b>222</b> | <b>-31.3%</b> | <b>432</b>      | <b>694</b>      | <b>-37.7%</b> |

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

In the first nine months of 2018, business free cash flow dropped by -37.7% to € 432 million (January-September 2017: € 694 million). Apart from the decline in EBITDA pre, this was mainly due to the development of receivables and inventories in the first nine months of both 2018 and 2017.

## 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 as well as research and development costs spanning business sectors.

### CORPORATE AND OTHER

#### Key figures<sup>1</sup>

| € million                            | Q3 2018 | Q3 2017 | Change | Jan.–Sept. 2018 | Jan.–Sept. 2017 | Change |
|--------------------------------------|---------|---------|--------|-----------------|-----------------|--------|
| Operating result (EBIT) <sup>2</sup> | -119    | -88     | 35.6%  | -369            | -314            | 17.3%  |
| EBITDA <sup>2</sup>                  | -105    | -77     | 35.6%  | -326            | -286            | 14.0%  |
| EBITDA pre <sup>2</sup>              | -82     | -48     | 69.7%  | -252            | -226            | 11.7%  |
| Business free cash flow <sup>2</sup> | -107    | -91     | 17.3%  | -328            | -290            | 13.1%  |

<sup>1</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods" under "Supplemental Financial Information".

<sup>2</sup> Not defined by International Financial Reporting Standards (IFRS).

In the third quarter of 2018, administration expenses reported under Corporate and Other amounted to € 76 million (Q3 2017: € 69 million). Research and development costs spanning business sectors, for instance expenses for the Innovation Center, were allocated to Corporate and Other in the amount of € 9 million in the third quarter of 2018 (Q3 2017: € 4 million). Other operating expenses (net) rose to € -66 million (Q3 2017: € -14 million). This was mainly due to a worsening of the currency result. A reversal of an impairment loss for other receivables amounting to € 37 million had a positive effect on the operating result. This reversal was in connection with the contractual refund

claims from the divestment of the Generics business in 2007. After eliminating depreciation, amortization and adjustments, EBITDA pre amounted to € -82 million in the third quarter of 2018 (Q3 2017: € -48 million). The increase in negative business free cash flow to € -107 million (Q3 2017: € -91 million) was mainly due to the development of EBITDA pre.

In the first nine months of 2018, EBITDA pre of Corporate and Other totaled € -252 million (January-September 2017: € -226 million). Business free cash flow amounted to € -328 million in the first nine months of 2018 (January-September 2017: € -290 million).

## Outlook

On April 19, 2018, we announced the signing of an agreement to divest its global Consumer Health business to Procter & Gamble (P&G) for around € 3.4 billion in cash before purchase price adjustments. The transaction is still expected to close by the end of the fourth quarter of 2018. Since April 2018, the Consumer Health business has been presented as a discontinued operation. The figures for 2017 and the first three quarters of 2018 have been adjusted accordingly and presented without the inclusion of Consumer Health. This outlook also takes into account the resulting effects and presents the expected sales and earnings figures for the Group and its business sectors excluding the Consumer Health business.

### Group

With the half-yearly financial report as of June 30, 2018, we specified our forecast for the development of net sales and EBITDA pre for the Group and the individual business sectors in 2018.

Following strong organic sales growth in the third quarter of 2018, particularly in our Healthcare and Life Science business sectors, we now expect for the full year 2018 a solid organic net sales increase of +4% to +6% (previously +3% to +5%) over 2017. Furthermore, as stated in the Group half-yearly financial report as of June 30, 2018, we continue to assume a moderately negative foreign exchange impact of -3% to -5% in comparison with 2017, and expect continued high exchange rate volatility in the fourth quarter of 2018. As expected, the negative impact of the increase in the value of the euro versus the U.S. dollar weakened significantly in the third quarter in comparison with the first half (average for the full year 2018: € 1.18 to € 1.21; previously: € 1.19 to € 1.22). However, this effect was more than offset by the continued decline in the value of various emerging market currencies against the euro – particularly Latin American currencies: both the Argentinean peso and the Brazilian real developed far more negatively in the third quarter of 2018 than we had expected.

Overall, taking into account the treatment of the Consumer Health business as a discontinued operation, we therefore forecast net sales of the Group in a range of between € 14.4 billion

and € 14.8 billion in 2018 (previously: € 14.1 billion to € 14.6 billion; 2017: € 14.5 billion).

Owing to business performance in the third quarter of 2018, we confirm our previous forecast of a slight organic decline of -1% to -3% in Group EBITDA pre compared with 2017. However, in contrast to the previous forecast, we now expect that the aforementioned adverse foreign exchange effects will lower EBITDA pre by between -8% and -10% compared with 2017 (previously: -5% to -7%). The positive effect of our more optimistic forecast for the euro-U.S. dollar exchange rate will only be insignificant. Instead, the changed estimation of foreign exchange effects is due to the continued strong decline in value of Latin American currencies against the euro, which is contrary to our original expectations. In the affected countries, the cost base in the Group is low relative to sales owing to our regional structures. Therefore, the currency depreciation disproportionately impacts EBITDA pre of the Group and especially of our Healthcare business sector. In addition, due to high hedging costs, these emerging market currencies are not hedged. Therefore, a compensating effect from currency hedging cannot be expected. The currency hedging result is reported under Corporate and Other.

Consequently, we expect that Group EBITDA pre will be in a corridor between € 3.7 billion and € 3.9 billion in 2018 (previously: € 3.75 billion to € 4.0 billion; 2017: € 4.246 billion).

### Healthcare

Following the strong organic sales performance in the third quarter, for our Healthcare business sector we expect an organic net sales increase of +4% to +5% in 2018 (previously: +3% to +5% in comparison with 2017). We assume that the positive development of demand in growth markets as well as in the General Medicine, Oncology and Fertility franchises will contribute significantly to the expected organic development of sales, more than offsetting the expected decline in sales of Rebif® and the continued price pressure in several regions. We expect that Bavencio® and Mavenclad® will contribute to sales in 2018 with mid double-digit euro million and high double-digit euro million amounts, respectively.

The expected foreign exchange development is likely to lower net sales by between -4% and -6% compared with 2017.

For 2018, we forecast EBITDA pre of our Healthcare business sector in the range of between € 1.54 billion and € 1.6 billion (previously: € 1.58 billion to € 1.65 billion). The decline in comparison with 2017 (€ 1.773 billion) is mainly due to negative exchange rate effects in various growth markets. The depreciation of Latin American currencies significantly accelerated in the third quarter of 2018 compared with our preceding forecast. Overall, we therefore assume that negative exchange rate effects will lower EBITDA pre by between -9% and -11% compared with 2017 (previously: -5% to -7%).

However, we confirm our forecast of an organic change of -1% to -2% in EBITDA pre compared with 2017. We continue to assume that our product mix will develop unfavorably owing to the expected decline in sales of Rebif® and that various positive one-time effects recorded in 2017 will not be incurred to the same extent in 2018. The absence of research and development costs following the divestment of our Biosimilars business in 2017 as well as positive earnings contributions from our newly approved products Bavencio® and Mavenclad® will have a compensating effect. Good organic sales development over the previous year should also bolster earnings performance.

#### Life Science

Following a very strong third quarter, for our Life Science business sector we now expect strong organic sales growth of between +7% and +8% for 2018 (previously: +5% to +6%), which will be significantly above our forecasted medium-term annual market growth of around +4%. We continue to expect a moderately negative foreign exchange effect of -3% to -5%. We believe that Process Solutions will contribute the largest share to organic sales growth. According to our expectations, Research Solutions and Applied Solutions will also contribute positively, but to a smaller extent, to the organic increase in net sales.

We confirm our previous estimate of organic earnings growth of around 8%. The realization of synergies from the integration of Sigma-Aldrich has high priority for us and we pursue this aim in 2018 as well. We estimate this will generate cost synergies of € 260 million and sales synergies of € 20 million. Negative foreign exchange effects are expected to lower EBITDA pre by between -3% and -5% compared with 2017. Overall, we continue to forecast EBITDA pre for our Life Science business sector in a range of between € 1.83 billion and € 1.88 billion (2017: € 1.786 billion).

#### Performance Materials

Owing to positive organic sales growth again in the third quarter of 2018, for our Performance Materials business sector we now expect organic sales performance at the previous year's level (-1% to +1% compared with 2017, previously: -2% to -4%). This estimate, which is more optimistic than our last forecast, is attributable to the improved performance of our Liquid Crystals business, which benefited in the third quarter of 2018 from several capacity expansion projects by our customers. Organic sales performance in our other businesses, for instance Semiconductor Solutions and OLED materials, remains positive. We confirm our forecast that foreign exchange will have a moderately negative impact of -3% to -5% on our sales.

We maintain our previous forecast of an organic decline of around -14% to -16% in EBITDA pre compared with 2017 along with the expected negative foreign exchange impact of -6% to -8%. Consequently, we continue to expect EBITDA pre for our Performance Materials business sector of between € 745 million and € 785 million in 2018 (2017: € 980 million).

#### Corporate and Other

Overall, we still expect EBITDA pre of between € -360 million and € -400 million for Corporate and Other in 2018 (2017: € -292 million). Corporate and Other includes the currency hedging results as well as effects in connection with foreign

exchange losses in Argentina. Overall, we expect these effects to be in the mid- to high double-digit million euro range. The main reasons for the expected organic increase in costs over the previous year are investments in innovation and digitaliza-

tion initiatives as well as expenses for IT infrastructure, which we believe hold future promise for new business opportunities and greater efficiency, linked with future savings potential.

## GROUP

### Forecast for FY 2018 (excluding the Consumer Health business)

| € million             | Net sales  | EBITDA pre  | Business free cash flow |
|-----------------------|--|---|-------------------------|
| Group                 | <b>~14,400 to 14,800</b> <ul style="list-style-type: none"> <li>• Organic growth of +4% to +6% vs. 2017</li> <li>• Moderately negative foreign exchange effect of -3% to -5%</li> </ul>                                | <b>~3,700 to 3,900</b> <ul style="list-style-type: none"> <li>• Organic decline of -1% to -3% vs. 2017</li> <li>• Exchange rate effect of -8% to -10%</li> </ul>                  | <b>~2,340 to 2,630</b>  |
| Healthcare            | <ul style="list-style-type: none"> <li>• Solid organic growth of +4% to +5%</li> <li>• Moderately negative foreign exchange effect of -4% to -6%</li> </ul>  | <b>~1,540 to 1,600</b> <ul style="list-style-type: none"> <li>• Organic decline of -1% to -2%</li> <li>• Significantly negative foreign exchange effect of -9% to -11%</li> </ul> | <b>~1,030 to 1,110</b>  |
| Life Science          | <ul style="list-style-type: none"> <li>• Organic growth of +7% to +8%, considerably above medium-term average market growth of 4% p.a.</li> <li>• Moderately negative foreign exchange effect of -3% to -5%</li> </ul> | <b>~1,830 to 1,880</b> <ul style="list-style-type: none"> <li>• Organic growth of approx. +8%</li> <li>• Exchange rate effect of -3% to -5%</li> </ul>                            | <b>~1,300 to 1,390</b>  |
| Performance Materials | <ul style="list-style-type: none"> <li>• Organic sales performance at the level of 2017, i.e. -1% to +1%</li> <li>• Moderately negative foreign exchange effect of -3% to -5%</li> </ul>                               | <b>~745 to 785</b> <ul style="list-style-type: none"> <li>• Organic decline of -14% to -16%</li> <li>• Exchange rate effect of -6% to -8%</li> </ul>                              | <b>~510 to 580</b>      |
| Corporate and Other   | -  | ~ -400 to -360  | ~ -500 to -450          |

EPS pre € 5.00 to € 5.30

Full-year FX assumptions for 2018:

€ 1 = US\$ 1.18 to US\$ 1.21

# Supplemental Financial Information



# Supplemental Financial Information

## Consolidated Income Statement<sup>1</sup>

| € million  | Q3 2018      | Q3 2017      | Jan.–Sept. 2018 | Jan.–Sept. 2017 |
|--|--------------|--------------|-----------------|-----------------|
| <b>Net sales</b>   | <b>3,749</b> | <b>3,517</b> | <b>10,949</b>   | <b>10,869</b>   |
| Cost of sales  | -1,344       | -1,237       | -3,925          | -3,753          |
| <b>Gross profit</b>  | <b>2,405</b> | <b>2,280</b> | <b>7,023</b>    | <b>7,116</b>    |
| Marketing and selling expenses   | -1,077       | -1,051       | -3,205          | -3,252          |
| Administration expenses  | -240         | -210         | -697            | -693            |
| Research and development costs   | -542         | -537         | -1,588          | -1,538          |
| Impairment losses and reversals<br>of impairment losses of financial assets (net) <sup>2</sup> | 32           | -            | 24              | -               |
| Other operating income   | 85           | 538          | 370             | 1,059           |
| Other operating expenses   | -172         | -158         | -543            | -509            |
| <b>Operating result (EBIT)<sup>3</sup></b>   | <b>491</b>   | <b>862</b>   | <b>1,386</b>    | <b>2,183</b>    |
| <b>Financial result</b>  | <b>-56</b>   | <b>-65</b>   | <b>-182</b>     | <b>-200</b>     |
| <b>Profit before income tax</b>  | <b>435</b>   | <b>797</b>   | <b>1,204</b>    | <b>1,983</b>    |
| Income tax   | -112         | -177         | -303            | -457            |
| <b>Profit after tax from continuing operations</b>   | <b>323</b>   | <b>620</b>   | <b>901</b>      | <b>1,526</b>    |
| <b>Profit after tax from discontinued operations</b>   | <b>22</b>    | <b>28</b>    | <b>37</b>       | <b>74</b>       |
| <b>Profit after tax</b>  | <b>345</b>   | <b>648</b>   | <b>938</b>      | <b>1,600</b>    |
| of which: attributable to shareholders of Merck KGaA, Darmstadt,<br>Germany (net income)       | 340          | 644          | 928             | 1,592           |
| of which: attributable to non-controlling interests  | 5            | 4            | 10              | 7               |
| <b>Earnings per share (in €)</b>   |              |              |                 |                 |
| basic  | 0.78         | 1.48         | 2.13            | 3.66            |
| - thereof from continuing operations   | 0.74         | 1.42         | 2.06            | 3.50            |
| - thereof from discontinued operations   | 0.04         | 0.06         | 0.07            | 0.16            |
| diluted  | 0.78         | 1.48         | 2.13            | 3.66            |
| - thereof from continuing operations   | 0.74         | 1.42         | 2.06            | 3.50            |
| - thereof from discontinued operations   | 0.04         | 0.06         | 0.07            | 0.16            |

<sup>1</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods".

<sup>2</sup> Relevant for the first time as of January 1, 2018 owing to the first-time application of IFRS 9, see "Effects of new financial reporting standards".

<sup>3</sup> Not defined by International Financial Reporting Standard (IFRS).

# Statement of Comprehensive Income

| € million  | Q3 2018    | Q3 2017     | Jan.-Sept.<br>2018 | Jan.-Sept.<br>2017 |
|--|------------|-------------|--------------------|--------------------|
| <b>Profit after tax<sup>1</sup></b>  | <b>345</b> | <b>648</b>  | <b>938</b>         | <b>1,600</b>       |
| <b>Items of other comprehensive income that will not be reclassified to profit or loss in subsequent periods</b> |            |             |                    |                    |
| <b>Net defined benefit liability</b>   |            |             |                    |                    |
| Changes in remeasurement   | 105        | -117        | 214                | 39                 |
| Tax effect   | -19        | 22          | -41                | 8                  |
| Changes recognized in equity   | 86         | -95         | 173                | 47                 |
| <b>Equity instruments<sup>2</sup></b>  |            |             |                    |                    |
| Fair value adjustments   | 6          |             | 33                 |                    |
| Tax effect   | -          |             | -                  |                    |
| Changes recognized in equity   | 6          |             | 33                 |                    |
|  | 92         | -95         | 206                | 47                 |
| <b>Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods</b>      |            |             |                    |                    |
| <b>Debt instruments<sup>2</sup></b>  |            |             |                    |                    |
| Fair value adjustments   | -          |             | -                  |                    |
| Reclassification to profit or loss   | -          |             | -                  |                    |
| Tax effect   | -          |             | -                  |                    |
| Changes recognized in equity   | -          |             | -                  |                    |
| <b>Available-for-sale financial assets<sup>3</sup></b>   |            |             |                    |                    |
| Fair value adjustments   |            | 2           |                    | 4                  |
| Reclassification to profit or loss   |            | 1           |                    | -                  |
| Tax effect   |            | -           |                    | -                  |
| Changes recognized in equity   |            | 2           |                    | 4                  |
| <b>Cash flow hedge reserve</b>   |            |             |                    |                    |
| Fair value adjustments   | 7          | 16          | -19                | 105                |
| Reclassification to profit or loss   | 12         | -10         | 27                 | 16                 |
| Reclassification to assets   | -          | -           | -                  | -                  |
| Tax effect   | -6         | -3          | -1                 | -38                |
| Changes recognized in equity   | 14         | 3           | 6                  | 83                 |
| <b>Cost of cash flow hedge reserve<sup>1</sup></b>   |            |             |                    |                    |
| Fair value adjustments   | 7          | 1           | -44                | -6                 |
| Reclassification to profit or loss   | -          | -           | -                  | -                  |
| Tax effect   | -3         | -           | 15                 | 1                  |
| Changes recognized in equity   | 4          | 1           | -29                | -5                 |
| <b>Exchange differences on translating foreign operations</b>  |            |             |                    |                    |
| Changes taken directly to equity   | -3         | -503        | 362                | -1,779             |
| Reclassification to profit or loss   | -          | -29         | -19                | -51                |
| Changes recognized in equity   | -3         | -532        | 342                | -1,830             |
|  | 15         | -527        | 320                | -1,747             |
| <b>Other comprehensive income<sup>1</sup></b>  | <b>107</b> | <b>-621</b> | <b>526</b>         | <b>-1,700</b>      |
| <b>Comprehensive income</b>  | <b>452</b> | <b>26</b>   | <b>1,464</b>       | <b>-100</b>        |
| of which: attributable to shareholders of Merck KGaA, Darmstadt, Germany   | 450        | 25          | 1,458              | -103               |
| of which: attributable to non-controlling interests  | 3          | 2           | 5                  | 3                  |
| <b>Comprehensive income</b>  | <b>452</b> | <b>26</b>   | <b>1,464</b>       | <b>-100</b>        |
| thereof from continuing operations   | 422        | -6          | 1,427              | -172               |
| thereof from discontinued operations   | 30         | 32          | 37                 | 72                 |

<sup>1</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods".

<sup>2</sup> Relevant for the first time as of January 1, 2018 owing to the first-time application of IFRS 9, see "Effects of new financial reporting standards".

<sup>3</sup> Not defined by International Financial Reporting Standard (IFRS).

## Consolidated Balance Sheet

| € million  | Sept. 30, 2018 | Dec. 31, 2017 |
|--|----------------|---------------|
| <b>Non-current assets</b>  |                |               |
| Goodwill   | 13,597         | 13,582        |
| Other intangible assets  | 7,586          | 8,317         |
| Property, plant and equipment  | 4,549          | 4,512         |
| Non-current financial assets   | 468            | 444           |
| Other non-current assets   | 152            | 205           |
| Deferred tax assets  | 1,033          | 1,106         |
|  | <b>27,385</b>  | <b>28,166</b> |
| <b>Current assets</b>  |                |               |
| Inventories  | 2,814          | 2,632         |
| Trade accounts receivable  | 3,000          | 2,923         |
| Current financial assets   | 61             | 90            |
| Other current assets   | 665            | 731           |
| Income tax receivables   | 354            | 490           |
| Cash and cash equivalents  | 833            | 589           |
| Assets held for sale   | 628            | -             |
|  | <b>8,355</b>   | <b>7,455</b>  |
| <b>Total assets</b>  | <b>35,740</b>  | <b>35,621</b> |
| <b>Total equity</b>  |                |               |
| Equity capital   | 565            | 565           |
| Reserves <sup>1</sup>  | 13,346         | 12,358        |
| Gains/losses recognized in equity <sup>1</sup>                               | 1,372          | 1,081         |
| <b>Equity attributable to shareholders of Merck KGaA, Darmstadt, Germany</b> | <b>15,283</b>  | <b>14,003</b> |
| Non-controlling interests  | 64             | 63            |
|  | <b>15,347</b>  | <b>14,066</b> |
| <b>Non-current liabilities</b>   |                |               |
| Provisions for pensions and other post-employment benefits                   | 2,089          | 2,257         |
| Other non-current provisions   | 801            | 788           |
| Non-current financial liabilities  | 7,095          | 8,033         |
| Other non-current liabilities  | 85             | 354           |
| Deferred tax liabilities   | 1,357          | 1,489         |
|  | <b>11,427</b>  | <b>12,919</b> |
| <b>Current liabilities</b>   |                |               |
| Current provisions   | 389            | 414           |
| Current financial liabilities  | 3,966          | 2,790         |
| Trade accounts payable/Refund liabilities                                    | 2,057          | 2,195         |
| Income tax liabilities   | 896            | 1,059         |
| Other current liabilities  | 1,500          | 2,175         |
| Liabilities directly related to assets held for sale                         | 160            | -             |
|  | <b>8,966</b>   | <b>8,635</b>  |
| <b>Total equity and liabilities</b>  | <b>35,740</b>  | <b>35,621</b> |

<sup>1</sup>Previous year's figures have been adjusted, see "Adjustments of prior periods".

# Consolidated Cash Flow Statement

| € million  | Q3 2018     | Q3 2017     | Jan.-Sept.<br>2018 | Jan.-Sept.<br>2017 |
|--|-------------|-------------|--------------------|--------------------|
| <b>Profit after tax<sup>1</sup></b>  | <b>345</b>  | <b>648</b>  | <b>938</b>         | <b>1,600</b>       |
| Depreciation/amortization/impairment losses  |             |             |                    |                    |
| reversals of impairment losses   | 428         | 419         | 1,304              | 1,247              |
| Changes in inventories   | -61         | -48         | -228               | -236               |
| Changes in trade accounts receivable   | -31         | 26          | -216               | -185               |
| Changes in trade accounts payable/refund liabilities                                 | -16         | -9          | 28                 | 62                 |
| Changes in provisions  | 69          | -50         | 119                | 22                 |
| Changes in other assets and liabilities  | 6           | 99          | -472               | -101               |
| Neutralization of gain/loss on disposals of assets                                   | 2           | -324        | -5                 | -346               |
| Other non-cash income and expenses <sup>1</sup>                                      | -11         | -2          | 11                 | -8                 |
| <b>Net cash flows from operating activities</b>                                      | <b>731</b>  | <b>758</b>  | <b>1,479</b>       | <b>2,055</b>       |
| <b>thereof from discontinued operations</b>  | <b>-8</b>   | <b>-9</b>   | <b>-43</b>         | <b>43</b>          |
| Payments for investments in intangible assets  | -15         | -38         | -70                | -328               |
| Payments from the disposal of intangible assets                                      | -           | 2           | 7                  | 5                  |
| Payments for investments in property, plant and equipment                            | -215        | -197        | -611               | -569               |
| Payments from the disposal of property, plant and equipment                          | 9           | 2           | 21                 | 19                 |
| Payments for investments in financial assets   | -20         | -56         | -41                | -238               |
| Payments for acquisitions less acquired cash and cash equivalents                    | -           | -10         | -                  | -17                |
| Payments from the disposal of other financial assets                                 | 24          | 51          | 63                 | 166                |
| Payments from other divestments  | -1          | -           | -1                 | 11                 |
| Payments from divestment of assets held for sale                                     | -           | 156         | -                  | 156                |
| <b>Net cash flows from investing activities</b>                                      | <b>-218</b> | <b>-90</b>  | <b>-631</b>        | <b>-794</b>        |
| <b>thereof from discontinued operations</b>  | <b>-4</b>   | <b>-12</b>  | <b>-9</b>          | <b>-21</b>         |
| Dividend payment to shareholders of Merck KGaA, Darmstadt, Germany                   | -           | -           | -162               | -155               |
| Dividend payments to non-controlling interests                                       | 1           | -           | -4                 | -3                 |
| Dividend payments to E. Merck KG, Darmstadt, Germany                                 | -           | -           | -593               | -466               |
| Payments from new borrowings from E. Merck KG, Darmstadt, Germany                    | -           | -           | 375                | 349                |
| Repayments of financial liabilities to E. Merck KG, Darmstadt, Germany               | -29         | -179        | -137               | -288               |
| Repayments of bonds  | -           | -700        | -323               | -932               |
| Changes in other current and non-current financial liabilities                       | -258        | 35          | 260                | 177                |
| <b>Net cash flows from financing activities</b>                                      | <b>-287</b> | <b>-844</b> | <b>-585</b>        | <b>-1,318</b>      |
| <b>thereof from discontinued operations</b>  | <b>6</b>    | <b>4</b>    | <b>45</b>          | <b>-1</b>          |
| <b>Changes in cash and cash equivalents</b>  | <b>226</b>  | <b>-176</b> | <b>263</b>         | <b>-57</b>         |
| Changes in cash and cash equivalents due to currency translation                     | -4          | -14         | -7                 | -30                |
| Cash and cash equivalents at the beginning of the reporting period                   | 609         | 1,041       | 589                | 939                |
| Changes in cash and cash equivalents due to reclassification to assets held for sale | 1           | -           | -12                | -                  |
| <b>Cash and cash equivalents as of Sept. 30</b>                                      | <b>833</b>  | <b>852</b>  | <b>833</b>         | <b>852</b>         |

<sup>1</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods".

## Consolidated Statement of Changes in Net Equity

| € million  | Equity capital   |  |   | Retained earnings                        |  |  |
|--|--|--|---|--|--|--|
|  | General partner's equity<br>Merck KGaA,<br>Darmstadt,<br>Germany | Subscribed capital<br>Merck KGaA,<br>Darmstadt,<br>Germany | Capital reserves<br>(share premium)<br>Merck KGaA,<br>Darmstadt,<br>Germany | Retained earnings/net<br>retained profit | Remeasurement<br>of defined<br>benefit plans | Fair value<br>reserve for equity<br>instruments <sup>1</sup> |
| <b>Balance as of January 1, 2017 (as reported)</b>                                     | <b>397</b>   | <b>168</b>   | <b>3,814</b>  | <b>8,049</b>                             | <b>-1,501</b>                                |  |
| Adjustment from mandatory retrospective adoption of IFRS 9 <sup>1</sup>                | -  | -  | -   | -3                                       | -  |  |
| <b>Balance as of January 1, 2017 (restated)</b>  | <b>397</b>   | <b>168</b>   | <b>3,814</b>  | <b>8,046</b>                             | <b>-1,501</b>                                |  |
| Profit after tax <sup>2</sup>  | -  | -  | -   | 1,593                                    | -  |  |
| Other comprehensive income <sup>2</sup>  | -  | -  | -   | -  | 47   |  |
| <b>Comprehensive income</b>  | <b>-</b>   | <b>-</b>   | <b>-</b>  | <b>1,593</b>                             | <b>47</b>                                    |  |
| Dividend payments  | -  | -  | -   | -155                                     | -  |  |
| Transactions with no change of control   | -  | -  | -   | -  | -  |  |
| Changes in scope of consolidation/Other  | -  | -  | -   | -  | -  |  |
| <b>Balance as of Sept. 30, 2017<sup>2</sup></b>  | <b>397</b>   | <b>168</b>   | <b>3,814</b>  | <b>9,483</b>                             | <b>-1,454</b>                                |  |
| <b>Balance as of January 1, 2018</b>   | <b>397</b>   | <b>168</b>   | <b>3,814</b>  | <b>9,903</b>                             | <b>-1,358</b>                                | -  |
| Adjustment on initial application of IFRS 9 <sup>1</sup>                               | -  | -  | -   | 23                                       | -  | -6   |
| Adjustment on initial application of IFRS 15 <sup>1</sup>                              | -  | -  | -   | -  | -  | -  |
| <b>Balance as of January 1, 2018</b>   | <b>397</b>   | <b>168</b>   | <b>3,814</b>  | <b>9,926</b>                             | <b>-1,358</b>                                | <b>-6</b>  |
| Profit after tax   | -  | -  | -   | 928                                      | -  | -  |
| Other comprehensive income   | -  | -  | -   | -  | 173  | 33   |
| <b>Comprehensive income</b>  | <b>-</b>   | <b>-</b>   | <b>-</b>  | <b>928</b>                               | <b>173</b>                                   | <b>33</b>  |
| Dividend payments  | -  | -  | -   | -162                                     | -  | -  |
| Profit transfer to/from E. Merck KG, Darmstadt, Germany, including changes in reserves | -  | -  | -   | -  | -  | -  |
| Transactions with no change of control   | -  | -  | -   | -  | -  | -  |
| Changes in scope of consolidation/Other  | -  | -  | -   | 13                                       | 2  | -17  |
| <b>Balance as of September 30, 2018</b>  | <b>397</b>   | <b>168</b>   | <b>3,814</b>  | <b>10,706</b>                            | <b>-1,184</b>                                | <b>10</b>  |

<sup>1</sup> See "Accounting and measurement principles".

<sup>2</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods".

## Gains/losses recognized in equity

| Available-for-sale<br>financial assets <sup>1</sup> | Fair value<br>reserve for debt<br>instruments <sup>1</sup> | Cash flow<br>hedge reserve | Cost of hedging<br>reserve <sup>1</sup> | Currency transla-<br>tion difference | Equity attribut-<br>able to Merck<br>KGaA, Darmstadt,<br>Germany | Non-controlling<br>interests | Total equity  |
|---|--|----------------------------|---|--------------------------------------|--|------------------------------|---------------|
| <b>24</b>   |  | <b>-191</b>                | <b>-</b>                                | <b>3,229</b>                         | <b>13,989</b>  | <b>61</b>                    | <b>14,050</b> |
| -   |  | -                          | 3                                       | -                                    | -  | -                            | -             |
| <b>24</b>   |  | <b>-191</b>                | <b>3</b>                                | <b>3,229</b>                         | <b>13,989</b>  | <b>61</b>                    | <b>14,050</b> |
| -   |  | -                          | -                                       | -                                    | 1,593  | 7                            | 1,600         |
| <b>4</b>  |  | <b>83</b>                  | <b>-5</b>                               | <b>-1,825</b>                        | <b>-1,696</b>  | <b>-4</b>                    | <b>-1,700</b> |
| <b>4</b>  |  | <b>83</b>                  | <b>-5</b>                               | <b>-1,825</b>                        | <b>-103</b>  | <b>3</b>                     | <b>-100</b>   |
| -   |  | -                          | -                                       | -                                    | -155   | -3                           | -158          |
| -   |  | -                          | -                                       | -                                    | -  | -                            | -             |
| -   |  | -                          | -                                       | -                                    | -  | -                            | -             |
| <b>29</b>   |  | <b>-107</b>                | <b>-2</b>                               | <b>1,404</b>                         | <b>13,731</b>  | <b>60</b>                    | <b>13,791</b> |
| <b>31</b>   | <b>-</b>   | <b>-121</b>                | <b>-1</b>                               | <b>1,171</b>                         | <b>14,003</b>  | <b>63</b>                    | <b>14,066</b> |
| -31   | -1   | -                          | -                                       | -                                    | -15  | -                            | -15           |
| -   | -  | -                          | -                                       | -                                    | -  | -                            | -             |
| <b>-</b>  | <b>-1</b>  | <b>-121</b>                | <b>-1</b>                               | <b>1,171</b>                         | <b>13,988</b>  | <b>63</b>                    | <b>14,051</b> |
|   | -  | -                          | -                                       | -                                    | 928  | 10                           | 938           |
|   | -  | 6                          | -29                                     | 347                                  | 530  | -4                           | 526           |
|   | -  | <b>6</b>                   | <b>-29</b>                              | <b>347</b>                           | <b>1,458</b>   | <b>5</b>                     | <b>1,464</b>  |
|   | -  | -                          | -                                       | -                                    | -162   | -4                           | -166          |
|   | -  | -                          | -                                       | -                                    | -  | -                            | -             |
|   | -  | -                          | -                                       | -                                    | -  | -                            | -             |
|   | -  | -                          | -                                       | -                                    | -2   | -                            | -2            |
|   | <b>-1</b>  | <b>-115</b>                | <b>-31</b>                              | <b>1,518</b>                         | <b>15,283</b>  | <b>64</b>                    | <b>15,347</b> |

# Information by Business Sector<sup>1</sup>

| € million   | Healthcare   |              |                    |                    | Life Science |              |                    |                    |
|---|--------------|--------------|--------------------|--------------------|--------------|--------------|--------------------|--------------------|
|   | Q3 2018      | Q3 2017      | Jan.-Sept.<br>2018 | Jan.-Sept.<br>2017 | Q3 2018      | Q3 2017      | Jan.-Sept.<br>2018 | Jan.-Sept.<br>2017 |
| <b>Net sales<sup>2</sup></b>                              | <b>1,596</b> | <b>1,498</b> | <b>4,615</b>       | <b>4,616</b>       | <b>1,527</b> | <b>1,408</b> | <b>4,557</b>       | <b>4,385</b>       |
| <b>Operating result (EBIT)<sup>3</sup></b>                | <b>191</b>   | <b>539</b>   | <b>541</b>         | <b>1,267</b>       | <b>277</b>   | <b>220</b>   | <b>804</b>         | <b>677</b>         |
| Depreciation and amortization                             | 181          | 181          | 545                | 542                | 168          | 181          | 509                | 562                |
| Impairment losses   | -            | 4            | 2                  | 6                  | 4            | -            | 21                 | 3                  |
| Reversals of impairment losses                            | -            | -17          | -                  | -87                | -            | -            | -                  | -                  |
| <b>EBITDA<sup>3</sup></b>                                 | <b>372</b>   | <b>707</b>   | <b>1,089</b>       | <b>1,728</b>       | <b>449</b>   | <b>401</b>   | <b>1,333</b>       | <b>1,242</b>       |
| Adjustments <sup>3</sup>                                  | 9            | -310         | 52                 | -295               | 11           | 24           | 33                 | 83                 |
| <b>EBITDA pre (segment result)<sup>2</sup></b>            | <b>381</b>   | <b>397</b>   | <b>1,141</b>       | <b>1,433</b>       | <b>460</b>   | <b>426</b>   | <b>1,367</b>       | <b>1,325</b>       |
| EBITDA pre margin (in % of net sales) <sup>3</sup>        | 23.9%        | 26.5%        | 24.7%              | 31.0%              | 30.1%        | 30.2%        | 30.0%              | 30.2%              |
| Assets by business sector <sup>4</sup>                    |              |              | 7,994              | 8,184              |              |              | 20,670             | 20,422             |
| Liabilities by business sector <sup>4</sup>               |              |              | -2,732             | -2,985             |              |              | -1,230             | -1,254             |
| Investments in property, plant and equipment <sup>5</sup> | 102          | 75           | 257                | 232                | 72           | 61           | 192                | 187                |
| Investments in intangible assets <sup>5</sup>             | 4            | 18           | 46                 | 276                | 5            | 13           | 9                  | 36                 |
| Net cash flows from operating activities                  | 366          | 458          | 743                | 1,166              | 517          | 454          | 1,119              | 1,022              |
| Business free cash flow <sup>3</sup>                      | 254          | 343          | 784                | 1,119              | 411          | 416          | 1,055              | 1,120              |

<sup>1</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods".

<sup>2</sup> Excluding intersegment sales.

<sup>3</sup> Not defined by International Financial Reporting Standards (IFRS).

<sup>4</sup> Figures for the reporting period ending on September 30, 2018; previous-year figures as of December 31, 2017.

<sup>5</sup> As reported in the consolidated cash flow statement.

| Performance Materials |         |                 |                 | Corporate and Other |         |                 |                 | Group   |         |                 |                 |
|-----------------------|---------|-----------------|-----------------|---------------------|---------|-----------------|-----------------|---------|---------|-----------------|-----------------|
| Q3 2018               | Q3 2017 | Jan.-Sept. 2018 | Jan.-Sept. 2017 | Q3 2018             | Q3 2017 | Jan.-Sept. 2018 | Jan.-Sept. 2017 | Q3 2018 | Q3 2017 | Jan.-Sept. 2018 | Jan.-Sept. 2017 |
| 626                   | 611     | 1,776           | 1,867           | -                   | -       | -               | -               | 3,749   | 3,517   | 10,949          | 10,869          |
| 142                   | 191     | 409             | 553             | -119                | -88     | -369            | -314            | 491     | 862     | 1,386           | 2,183           |
| 60                    | 56      | 176             | 174             | 14                  | 10      | 43              | 28              | 423     | 428     | 1,273           | 1,306           |
| -                     | -       | 1               | 7               | -                   | -       | -               | -               | 5       | 4       | 24              | 17              |
| -                     | -       | -               | -               | -                   | -       | -               | -               | -       | -17     | -               | -87             |
| 202                   | 246     | 586             | 734             | -105                | -77     | -326            | -286            | 919     | 1,277   | 2,683           | 3,419           |
| 1                     | 2       | 9               | 18              | 23                  | 29      | 73              | 60              | 45      | -254    | 167             | -134            |
| 203                   | 249     | 595             | 752             | -82                 | -48     | -252            | -226            | 963     | 1,023   | 2,850           | 3,285           |
| 32.5%                 | 40.7%   | 33.5%           | 40.2%           | -                   | -       | -               | -               | 25.7%   | 29.1%   | 26.0%           | 30.2%           |
|                       |         | 3,979           | 3,942           |                     |         | 3,097           | 3,073           |         |         | 35,740          | 35,621          |
|                       |         | -492            | -484            |                     |         | -15,940         | -16,832         |         |         | -20,393         | -21,554         |
| 30                    | 25      | 81              | 72              | 12                  | 35      | 81              | 78              | 215     | 197     | 611             | 569             |
| 1                     | 3       | 6               | 8               | 4                   | 5       | 9               | 8               | 15      | 38      | 70              | 328             |
| 213                   | 231     | 568             | 782             | -365                | -385    | -950            | -916            | 731     | 758     | 1,479           | 2,055           |
| 152                   | 222     | 432             | 694             | -107                | -91     | -328            | -290            | 711     | 890     | 1,943           | 2,643           |

| € million  | Q3 2018      | Q3 2017 <sup>1</sup> | Jan.-Sept. 2018 | Jan.-Sept. 2017 <sup>1</sup> |
|--|--------------|----------------------|-----------------|------------------------------|
| <b>EBITDA pre of the operating businesses<sup>2</sup></b>                      | <b>1,045</b> | <b>1,071</b>         | <b>3,103</b>    | <b>3,510</b>                 |
| Corporate and Other  | -82          | -48                  | -252            | -226                         |
| <b>EBITDA pre of the Group<sup>2</sup></b>                                     | <b>963</b>   | <b>1,023</b>         | <b>2,850</b>    | <b>3,285</b>                 |
| Depreciation/amortization/impairment losses/<br>reversals of impairment losses | -428         | -415                 | -1,297          | -1,236                       |
| Adjustments <sup>2</sup>   | -45          | 254                  | -167            | 134                          |
| <b>Operating result (EBIT)<sup>2</sup></b>                                     | <b>491</b>   | <b>862</b>           | <b>1,386</b>    | <b>2,183</b>                 |
| Financial result   | -56          | -65                  | -182            | -200                         |
| <b>Profit before income tax</b>  | <b>435</b>   | <b>797</b>           | <b>1,204</b>    | <b>1,983</b>                 |

<sup>1</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods".

<sup>2</sup> Not defined by International Financial Reporting Standards (IFRS).

| € million   | Q3 2018    | Q3 2017 <sup>1</sup> | Jan.-Sept. 2018 | Jan.-Sept. 2017 <sup>1</sup> |
|---|------------|----------------------|-----------------|------------------------------|
| Restructuring costs   | -9         | -16                  | -25             | -28                          |
| Integration costs/IT costs  | -23        | -36                  | -65             | -94                          |
| Gains (+)/losses (-) on the divestment of businesses  | -4         | 313                  | -43             | 321                          |
| Acquisition-related adjustments   | -1         | -1                   | -2              | -12                          |
| Other adjustments   | -8         | -5                   | -33             | -53                          |
| <b>Adjustments before impairment losses/<br/>reversals of impairment losses<sup>2</sup></b> | <b>-45</b> | <b>254</b>           | <b>-167</b>     | <b>134</b>                   |
| Impairment losses   | -5         | -                    | -22             | -13                          |
| Reversals of impairment losses  | -          | 17                   | -               | 87                           |
| <b>Adjustments (total)<sup>2</sup></b>  | <b>-49</b> | <b>271</b>           | <b>-189</b>     | <b>208</b>                   |

<sup>1</sup> Previous year's figures have been adjusted, see "Adjustments of prior periods".

<sup>2</sup> Not defined by International Financial Reporting Standards (IFRS).



The following tables present a more detailed breakdown of net sales by business sector. Further income was reported within other operating income. This relates in particular to royalty and license income as well as income from upfront and mile-

stone payments not generated in the course of ordinary business.

In some cases, IFRS 15 was applied analogously to the accounting treatment of these transactions.

## Healthcare

| € million   | Q3 2018      | in %        | Jan.-Sept. 2018 | in %        |
|---|--------------|-------------|-----------------|-------------|
| <b>Net sales by nature</b>                        |              |             |                 |             |
| Goods   | 1,544        | 97%         | 4,492           | 97%         |
| Devices/hardware                                  | 1            | -           | 3               | -           |
| Services  | 33           | 2%          | 66              | 2%          |
| Commission income                                 | 3            | -           | 10              | -           |
| Profit share income                               | 15           | 1%          | 44              | 1%          |
| <b>Total</b>                                      | <b>1,596</b> | <b>100%</b> | <b>4,615</b>    | <b>100%</b> |
| <b>Net sales by major product lines /products</b> |              |             |                 |             |
| Oncology  | 245          | 15%         | 707             | 15%         |
| <i>thereof: Erbitux®</i>                          | 212          | 13%         | 615             | 13%         |
| <i>thereof: Bavencio®</i>                         | 19           | 1%          | 48              | 1%          |
| Neurology & Immunology                            | 387          | 24%         | 1,152           | 25%         |
| <i>thereof: RebiF®</i>                            | 363          | 23%         | 1,094           | 24%         |
| <i>thereof: Mavenclad®</i>                        | 25           | 1%          | 58              | 1%          |
| Fertility   | 298          | 19%         | 864             | 19%         |
| <i>thereof: Gonal-f®</i>                          | 182          | 11%         | 532             | 12%         |
| General Medicine & Endocrinology                  | 587          | 37%         | 1,688           | 37%         |
| <i>thereof: Glucophage®</i>                       | 188          | 12%         | 517             | 11%         |
| <i>thereof: Concor®</i>                           | 116          | 7%          | 335             | 7%          |
| <i>thereof: Euthyrox®</i>                         | 91           | 6%          | 265             | 6%          |
| <i>thereof: Saizen®</i>                           | 55           | 3%          | 172             | 4%          |
| Other   | 79           | 5%          | 204             | 4%          |
| <b>Total</b>                                      | <b>1,596</b> | <b>100%</b> | <b>4,615</b>    | <b>100%</b> |
| <b>Net sales by region (customer location)</b>    |              |             |                 |             |
| Europe  | 543          | 34%         | 1,637           | 35%         |
| North America                                     | 372          | 23%         | 1,076           | 23%         |
| Asia-Pacific (APAC)                               | 401          | 25%         | 1,104           | 24%         |
| Latin America                                     | 161          | 10%         | 486             | 11%         |
| Middle East and Africa (MEA)                      | 119          | 8%          | 312             | 7%          |
| <b>Total</b>                                      | <b>1,596</b> | <b>100%</b> | <b>4,615</b>    | <b>100%</b> |

### Life Science

| € million                                      | Q3 2018      | in %        | Jan.-Sept. 2018 | in %        |
|--|--------------|-------------|-----------------|-------------|
| <b>Net sales by nature</b>                     |              |             |                 |             |
| Goods  | 1,329        | 87%         | 4,016           | 88%         |
| Devices/hardware                               | 90           | 6%          | 239             | 5%          |
| Services                                       | 107          | 7%          | 298             | 7%          |
| License income                                 | 1            | -           | 4               | -           |
| Commission income                              | 1            | -           | 1               | -           |
| <b>Total</b>                                   | <b>1,527</b> | <b>100%</b> | <b>4,557</b>    | <b>100%</b> |
| <b>Net sales by major product lines</b>        |              |             |                 |             |
| Process Solutions                              | 619          | 40%         | 1,815           | 40%         |
| Research Solutions                             | 500          | 33%         | 1,525           | 33%         |
| Applied Solutions                              | 408          | 27%         | 1,217           | 27%         |
| <b>Total</b>                                   | <b>1,527</b> | <b>100%</b> | <b>4,557</b>    | <b>100%</b> |
| <b>Net sales by region (customer location)</b> |              |             |                 |             |
| Europe   | 516          | 34%         | 1,575           | 35%         |
| North America                                  | 544          | 36%         | 1,585           | 35%         |
| Asia-Pacific (APAC)                            | 381          | 25%         | 1,138           | 25%         |
| Latin America                                  | 67           | 4%          | 196             | 4%          |
| Middle East and Africa (MEA)                   | 21           | 1%          | 64              | 1%          |
| <b>Total</b>                                   | <b>1,527</b> | <b>100%</b> | <b>4,557</b>    | <b>100%</b> |

### Performance Materials

| € million                                      | Q3 2018    | in %        | Jan.-Sept. 2018 | in %        |
|--|------------|-------------|-----------------|-------------|
| <b>Net sales by nature</b>                     |            |             |                 |             |
| Goods  | 625        | 100%        | 1,775           | 100%        |
| Services                                       | -          | -           | 1               | -           |
| <b>Total</b>                                   | <b>626</b> | <b>100%</b> | <b>1,776</b>    | <b>100%</b> |
| <b>Net sales by major product lines</b>        |            |             |                 |             |
| Display Solutions                              | 357        | 57%         | 971             | 55%         |
| Semiconductor Solutions                        | 152        | 24%         | 439             | 25%         |
| Surface Solutions                              | 115        | 19%         | 365             | 20%         |
| Other  | 1          | -           | 1               | -           |
| <b>Total</b>                                   | <b>626</b> | <b>100%</b> | <b>1,776</b>    | <b>100%</b> |
| <b>Net sales by region (customer location)</b> |            |             |                 |             |
| Europe   | 52         | 8%          | 167             | 9%          |
| North America                                  | 53         | 9%          | 162             | 9%          |
| Asia-Pacific (APAC)                            | 509        | 82%         | 1,416           | 80%         |
| Latin America                                  | 9          | 1%          | 26              | 2%          |
| Middle East and Africa (MEA)                   | 2          | -           | 6               | -           |
| <b>Total</b>                                   | <b>626</b> | <b>100%</b> | <b>1,776</b>    | <b>100%</b> |

## Effects of new financial reporting standards

Effective January 1, 2018, the Group applied for the first time the financial reporting standards IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. First-time application did not lead to any significant effects on the

financial and earnings position of the Group. A detailed presentation of the effects can be found in the Half-Yearly Financial Report 2018.

## Significant events during the reporting period

### **RECEIPT OF A MILESTONE PAYMENT FROM BIOMARIN PHARMACEUTICAL INC., USA, FROM THE SALE OF THE RIGHTS TO PEG-PAL**

On October 1, 2015, the Group entered into an agreement with BioMarin Pharmaceutical Inc., USA, (BioMarin) to return the development and commercialization option for Peg-Pal, an investigational compound in clinical development for the potential treatment of the rare metabolic disorder phenylketonuria (PKU). The agreement took effect in early 2016. As compensation for returning the Peg-Pal rights, the Group received entitlement to milestone payments of up to € 125 million, which are linked to the achievement of defined development objectives.

On March 28, 2018, BioMarin announced that the European Medicines Agency (EMA) had accepted the regulatory submission of Peg-Pal for the treatment of PKU. Consequently, the Group became entitled to a milestone payment of € 50 million, which was recorded in the reporting period under operating income and allocated to the Healthcare business sector.

### **AGREEMENT TO DIVEST THE CONSUMER HEALTH BUSINESS**

On April 18, 2018 the Group signed an agreement on the divestment of its global Consumer Health business to The Procter & Gamble Company, USA, (P&G). The selling price was € 3.4 billion in cash before defined purchase price adjustments for transferred operating assets and borrowed capital, among other things. The transaction will be executed through the sale of shareholdings in multiple subsidiaries of Merck KGaA, Darmstadt, Germany, as well as by way of various asset sales (asset deals). Apart from the Consumer Health business in 44 countries, the transaction also encompasses two production facilities operated by Consumer Health in Austria and India. Moreover, with respect to the transfer of the shareholding in Merck Ltd., India, a subsidiary of Merck KGaA, Darmstadt, Germany, the commercial operations of other business sectors will be transferred. The Group intends to reacquire these immediately thereafter in a separate transaction. As part of the divestment of the Consumer Health business, following the closing and

subject to the information and consultation procedure with employee representatives, around 3,400 employees, primarily from Consumer Health, are to transfer to P&G. In addition to the divestment agreement, the Group and P&G will sign a number of manufacturing, supply and service agreements.

The transaction closing is expected for the end of the fourth quarter of 2018 subject to regulatory approvals and other customary closing conditions.

With the signing of the agreement to divest the Consumer Health business, in the opinion of the Executive Board the preconditions for classification as a discontinued operation pursuant to IFRS 5 were given. Until the transaction closing, the parts of the Consumer Health business being transferred to P&G will be presented in the consolidated balance sheet as assets held for sale and as liabilities directly related to assets held for sale. In particular, the intangible assets including the allocable goodwill, property plant and equipment, inventories and trade accounts receivable, trade accounts payable as well as provisions for pensions attributable to the Consumer Health business being divested were disclosed under the aforementioned items. The previous year's balance sheet has not been restated.

In accordance with IFRS 5, the financial figures presented in the consolidated income statement of this quarterly statement relate only to continuing operations unless expressly stated otherwise. Services to be provided by the Group in accordance with contractual agreements after the closing of the divestment transaction have already been taken into account in the presentation in accordance with IFRS 5 based on the knowledge and contractual status as of the balance sheet date. Accordingly, the consolidated income statement of continuing operations in the reporting period and in the comparable periods also includes income and expenses from manufacturing and distribution services provided to the discontinued operation. The earnings contributions from these services have already been allocated to continuing operations in the presentation in accordance with IFRS 5, as is currently believed to be the case after the transaction closing.

In accordance with IFRS 5, the cash flows from discontinued operations are shown under separate items in the consolidated

cash flow statement. A detailed reconciliation of the reporting components published in previous periods to the reporting components adjusted in accordance with IFRS 5 can be found

under "Adjustments of prior periods".

The financial figures of discontinued operations are presented below:

| € million  | Jan.-Sept. 2018 | Jan.-Sept. 2017 |
|--|-----------------|-----------------|
| <b>Net sales</b>   | <b>613</b>      | <b>610</b>      |
| Expenses   | -554            | -510            |
| Gain on fair value measurement less costs to sell or on the disposal of discontinued operations  | -               | -               |
| <b>Profit/loss of discontinued operations before income tax</b>  | <b>59</b>       | <b>100</b>      |
| Income/expenses related to income tax on ordinary activities   | -22             | -26             |
| Income/expenses related to income tax on the gain on fair value measurement less costs to sell or on the disposal of discontinued operations | -               | -               |
| <b>Profit/loss of discontinued operations after income tax</b>   | <b>37</b>       | <b>74</b>       |
| of which: attributable to shareholders of Merck KGaA, Darmstadt, Germany (net income)  | 31              | 70              |

#### DEVELOPMENT AGREEMENT WITH THE SFJ PHARMACEUTICALS GROUP, USA, TO DEVELOP ABITUZUMAB

On May 2, 2018, the Group announced that it had signed an agreement with the SFJ Pharmaceuticals Group, USA, (SFJ) to develop abituzumab. Abituzumab is an investigational monoclonal antibody with potential for treating solid tumors such as colorectal cancer (mCRC). In a Phase II study of a patient population with KRAS wild-type mCRC, a subgroup of patients with overexpression of integrin  $\alpha\text{v}\beta 6$  was identified as potentially benefiting from treatment with abituzumab in combination with Erbitux® and chemotherapy. SFJ will be responsible for Phase II and III development of abituzumab. During clinical development, the Group will expense a pro rata share of the R&D costs for payments due to SFJ if the compound achieves marketing approval.

#### EUROPEAN COMMISSION ANTITRUST REVIEW PROCEDURE FOR THE SIGMA-ALDRICH ACQUISITION

In connection with the antitrust review procedure for the acquisition of Sigma-Aldrich on July 6, 2017, the Group received notice from the European Commission (EU Commission), in which the EU Commission informed the Group of its preliminary conclusion that the Group and Sigma-Aldrich

allegedly transmitted incorrect and/or misleading information within the scope of the acquisition of Sigma-Aldrich. The EU Commission received registration of the merger on April 21, 2015 and granted clearance on June 15, 2015 subject to the condition that the Group and Sigma-Aldrich divest parts of the European solvents and inorganic chemicals businesses of Sigma-Aldrich in order to resolve antitrust concerns.

According to the preliminary viewpoint of the EU Commission communicated in the letter dated July 6, 2017, the Group and Sigma-Aldrich withheld in this connection important information about an innovation project allegedly relevant for certain laboratory chemicals of significance to the analysis by the EU Commission. According to the EU Commission, the innovation project should have been included in the remedies package.

At the present time, an EU Commission administrative procedure is still pending that could lead to a fine being imposed by the EU Commission if the EU Commission sees its view as proven. The Group is entitled to legal recourse should a fine be imposed.

On the balance sheet date of September 30, 2018, the provision set up for impending fines amounting to a mid double-digit million euro amount in accordance with the estimations by the Executive Board.

## Subsequent events

On October 18, 2018, the Group announced an agreement with Luminex Corporation, USA, concerning the divestment of the flow cytometry business. These business activities comprise the flow cytometry platforms Amnis® and Guava® as well as the associated reagents under these brands. The purchase price is € 63 million. The transaction is expected to close by the end of 2018. In the third quarter of 2018, the business activities assigned to the Life Science business sector were reported as

a disposal group and primarily consist of the allocated goodwill as well as intangible assets, inventories and property, plant and equipment.

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 or results of operations of the Group.

# Adjustments of prior periods

## GROUP<sup>1</sup>

| € million  | Q1 2017      |                   |                   |              | Q2 2017      |                   |                   |              | Jan.–June 2017 |                   |                   |               |
|--|--------------|-------------------|-------------------|--------------|--------------|-------------------|-------------------|--------------|----------------|-------------------|-------------------|---------------|
|  | as reported  | IFRS 9 adjustment | IFRS 5 adjustment | restated     | as reported  | IFRS 9 adjustment | IFRS 5 adjustment | restated     | as reported    | IFRS 9 adjustment | IFRS 5 adjustment | restated      |
| <b>CONSOLIDATED INCOME STATEMENT</b>   |              |                   |                   |              |              |                   |                   |              |                |                   |                   |               |
| <b>Net sales</b>   | <b>3,861</b> | –                 | <b>-203</b>       | <b>3,657</b> | <b>3,891</b> | –                 | <b>-196</b>       | <b>3,695</b> | <b>7,752</b>   | –                 | <b>-400</b>       | <b>7,352</b>  |
| Cost of sales  | -1,296       | –                 | 54                | -1,242       | -1,331       | –                 | 57                | -1,274       | -2,627         | –                 | 110               | -2,516        |
| <b>Gross profit</b>  | <b>2,565</b> | –                 | <b>-150</b>       | <b>2,415</b> | <b>2,560</b> | –                 | <b>-140</b>       | <b>2,421</b> | <b>5,125</b>   | –                 | <b>-289</b>       | <b>4,836</b>  |
| Marketing and selling expenses   | -1,168       | –                 | 89                | -1,078       | -1,217       | –                 | 94                | -1,124       | -2,385         | –                 | 183               | -2,202        |
| Administration expenses  | -242         | –                 | 8                 | -234         | -257         | –                 | 9                 | -248         | -499           | –                 | 17                | -482          |
| Research and development costs   | -495         | –                 | 7                 | -488         | -521         | –                 | 8                 | -513         | -1,016         | –                 | 15                | -1,001        |
| Other operating income   | 271          | –                 | -4                | 267          | 253          | –                 | 1                 | 254          | 523            | –                 | -3                | 521           |
| Other operating expenses   | -176         | –                 | 7                 | -169         | -190         | –                 | 8                 | -182         | -366           | –                 | 15                | -351          |
| <b>Operating result (EBIT)<sup>2</sup></b>   | <b>755</b>   | –                 | <b>-42</b>        | <b>713</b>   | <b>628</b>   | –                 | <b>-20</b>        | <b>608</b>   | <b>1,382</b>   | –                 | <b>-62</b>        | <b>1,320</b>  |
| Financial result   | -71          | 2                 | –                 | -69          | -71          | 5                 | –                 | -66          | -142           | 7                 | –                 | -134          |
| <b>Profit before income tax</b>  | <b>684</b>   | <b>2</b>          | <b>-42</b>        | <b>644</b>   | <b>557</b>   | <b>5</b>          | <b>-20</b>        | <b>542</b>   | <b>1,241</b>   | <b>7</b>          | <b>-62</b>        | <b>1,186</b>  |
| Income taxes   | -161         | –                 | 11                | -151         | -134         | -1                | 5                 | -130         | -295           | -1                | 16                | -280          |
| <b>Profit after tax from continuing operations</b>   | <b>523</b>   | <b>2</b>          | <b>-31</b>        | <b>493</b>   | <b>423</b>   | <b>4</b>          | <b>-15</b>        | <b>412</b>   | <b>946</b>     | <b>6</b>          | <b>-46</b>        | <b>906</b>    |
| <b>Profit after tax from discontinued operations</b>   | <b>–</b>     | <b>–</b>          | <b>31</b>         | <b>31</b>    | <b>–</b>     | <b>–</b>          | <b>15</b>         | <b>15</b>    | <b>–</b>       | <b>–</b>          | <b>46</b>         | <b>46</b>     |
| <b>Profit after tax</b>  | <b>523</b>   | <b>2</b>          | <b>–</b>          | <b>524</b>   | <b>423</b>   | <b>4</b>          | <b>–</b>          | <b>427</b>   | <b>946</b>     | <b>6</b>          | <b>–</b>          | <b>952</b>    |
| of which: attributable to shareholders of Merck KGaA, Darmstadt, Germany (net income)                        | 521          | 2                 | –                 | 523          | 421          | 4                 | –                 | 426          | 943            | 6                 | –                 | 948           |
| of which: non-controlling interests  | 2            | –                 | –                 | 2            | 2            | –                 | –                 | 2            | 3              | –                 | –                 | 3             |
| <b>Earnings per share in € (basic/diluted)</b>   |              |                   |                   |              |              |                   |                   |              |                |                   |                   |               |
| attributable to continuing operations  | 1.20         | –                 | -0.07             | 1.13         | 0.97         | 0.01              | -0.03             | 0.95         | 2.17           | 0.01              | -0.10             | 2.08          |
| attributable to discontinued operations  | –            | –                 | 0.07              | 0.07         | –            | –                 | 0.03              | 0.03         | –              | –                 | 0.10              | 0.10          |
| <b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>  |              |                   |                   |              |              |                   |                   |              |                |                   |                   |               |
| <b>Profit after tax</b>  | <b>523</b>   | <b>2</b>          | <b>–</b>          | <b>524</b>   | <b>423</b>   | <b>4</b>          | <b>–</b>          | <b>427</b>   | <b>946</b>     | <b>6</b>          | <b>–</b>          | <b>952</b>    |
| <b>Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods:</b> |              |                   |                   |              |              |                   |                   |              |                |                   |                   |               |
| <b>Costs of cash flow hedge accounting</b>   |              |                   |                   |              |              |                   |                   |              |                |                   |                   |               |
| Fair value adjustments   | –            | -2                | –                 | -2           | –            | -5                | –                 | -5           | –              | -7                | –                 | -7            |
| Tax effect   | –            | –                 | –                 | –            | –            | 1                 | –                 | 1            | –              | 1                 | –                 | 1             |
| <b>Other comprehensive income</b>  | <b>-92</b>   | <b>-2</b>         | <b>–</b>          | <b>-94</b>   | <b>-981</b>  | <b>-4</b>         | <b>–</b>          | <b>-985</b>  | <b>-1,073</b>  | <b>-6</b>         | <b>–</b>          | <b>-1,079</b> |
| <b>Comprehensive income</b>  | <b>431</b>   | <b>–</b>          | <b>–</b>          | <b>431</b>   | <b>-558</b>  | <b>–</b>          | <b>–</b>          | <b>-558</b>  | <b>-127</b>    | <b>–</b>          | <b>–</b>          | <b>-127</b>   |
| <b>CONSOLIDATED CASH FLOW STATEMENT</b>  |              |                   |                   |              |              |                   |                   |              |                |                   |                   |               |
| <b>Profit after tax</b>  | <b>523</b>   | <b>2</b>          | <b>–</b>          | <b>524</b>   | <b>423</b>   | <b>4</b>          | <b>–</b>          | <b>427</b>   | <b>946</b>     | <b>6</b>          | <b>–</b>          | <b>952</b>    |
| Other non-cash income and expenses   | -2           | -2                | –                 | -4           | 2            | -4                | –                 | -2           | –              | -6                | –                 | -6            |
| <b>Net cash flows from operating activities</b>  | <b>777</b>   | <b>–</b>          | <b>–</b>          | <b>777</b>   | <b>520</b>   | <b>–</b>          | <b>–</b>          | <b>520</b>   | <b>1,297</b>   | <b>–</b>          | <b>–</b>          | <b>1,297</b>  |

<sup>1</sup> The IFRS 5 adjustments related to the Healthcare business sector as well as Corporate and Other; the impact on Corporate and Other has not been presented for reasons of immateriality.

<sup>2</sup> Not defined by International Financial Reporting Standards (IFRS).

| Q3 2017     |                   |                   |          | Jan.–Sept. 2017 |                   |                   |          | Q4 2017     |                   |                   |          | Jan.–Dec. 2017 |                   |                   |          |
|-------------|-------------------|-------------------|----------|-----------------|-------------------|-------------------|----------|-------------|-------------------|-------------------|----------|----------------|-------------------|-------------------|----------|
| as reported | IFRS 9 adjustment | IFRS 5 adjustment | restated | as reported     | IFRS 9 adjustment | IFRS 5 adjustment | restated | as reported | IFRS 9 adjustment | IFRS 5 adjustment | restated | as reported    | IFRS 9 adjustment | IFRS 5 adjustment | restated |
| 3,727       | -                 | -210              | 3,517    | 11,479          | -                 | -610              | 10,869   | 3,848       | -                 | -200              | 3,648    | 15,327         | -                 | -809              | 14,517   |
| -1,299      | -                 | 62                | -1,237   | -3,925          | -                 | 172               | -3,753   | -1,394      | -                 | 77                | -1,317   | -5,320         | -                 | 249               | -5,071   |
| 2,428       | -                 | -148              | 2,280    | 7,553           | -                 | -438              | 7,116    | 2,454       | -                 | -123              | 2,331    | 10,007         | -                 | -560              | 9,446    |
| -1,135      | -                 | 84                | -1,051   | -3,520          | -                 | 267               | -3,252   | -1,182      | -                 | 86                | -1,096   | -4,702         | -                 | 353               | -4,349   |
| -220        | -                 | 9                 | -210     | -719            | -                 | 26                | -693     | -211        | -                 | 5                 | -206     | -930           | -                 | 31                | -899     |
| -545        | -                 | 8                 | -537     | -1,561          | -                 | 23                | -1,538   | -580        | -                 | 10                | -570     | -2,140         | -                 | 32                | -2,108   |
| 544         | -                 | -6                | 538      | 1,067           | -                 | -8                | 1,059    | 160         | -                 | -6                | 153      | 1,227          | -                 | -14               | 1,212    |
| -172        | -                 | 14                | -158     | -538            | -                 | 29                | -509     | -399        | -                 | 28                | -371     | -937           | -                 | 56                | -880     |
| 901         | -                 | -39               | 862      | 2,283           | -                 | -101              | 2,183    | 241         | -                 | -1                | 240      | 2,525          | -                 | -102              | 2,423    |
| -65         | -1                | 1                 | -65      | -207            | 6                 | 1                 | -200     | -93         | -1                | -                 | -94      | -300           | 5                 | 1                 | -294     |
| 836         | -1                | -38               | 797      | 2,076           | 6                 | -100              | 1,983    | 148         | -1                | -1                | 146      | 2,224          | 5                 | -101              | 2,129    |
| -187        | -                 | 10                | -177     | -482            | -1                | 26                | -457     | 868         | -                 | 18                | 886      | 386            | -1                | 43                | 428      |
| 649         | -1                | -28               | 620      | 1,595           | 5                 | -74               | 1,526    | 1,016       | -1                | 17                | 1,032    | 2,610          | 4                 | -57               | 2,557    |
| -           | -                 | 28                | 28       | -               | -                 | 74                | 74       | -           | -                 | -17               | -17      | -              | -                 | 57                | 57       |
| 649         | -1                | -                 | 648      | 1,595           | 5                 | -                 | 1,600    | 1,016       | -1                | -                 | 1,015    | 2,610          | 4                 | -                 | 2,615    |
| 645         | -1                | -                 | 644      | 1,587           | 5                 | -                 | 1,592    | 1,013       | -1                | -                 | 1,012    | 2,600          | 4                 | -                 | 2,605    |
| 4           | -                 | -                 | 4        | 7               | -                 | -                 | 7        | 3           | -                 | -                 | 3        | 10             | -                 | -                 | 10       |
| 1.48        | -                 | -0.06             | 1.42     | 3.65            | 0.01              | -0.16             | 3.50     | 2.33        | -                 | 0.04              | 2.37     | 5.98           | 0.01              | -0.12             | 5.87     |
| -           | -                 | 0.06              | 0.06     | -               | -                 | 0.16              | 0.16     | -           | -                 | -0.04             | -0.04    | -              | -                 | 0.12              | 0.12     |
| 649         | -1                | -                 | 648      | 1,595           | 5                 | -                 | 1,600    | 1,016       | -1                | -                 | 1,015    | 2,610          | 4                 | -                 | 2,615    |
| -           | 1                 | -                 | 1        | -               | -6                | -                 | -6       | -           | 1                 | -                 | 1        | -              | -5                | -                 | -5       |
| -           | -                 | -                 | -        | -               | 1                 | -                 | 1        | -           | -                 | -                 | -        | -              | 1                 | -                 | 1        |
| -622        | 1                 | -                 | -621     | -1,695          | -5                | -                 | -1,700   | -148        | 1                 | -                 | -147     | -1,843         | -4                | -                 | -1,847   |
| 26          | -                 | -                 | 26       | -100            | -                 | -                 | -100     | 868         | -                 | -                 | 868      | 767            | -                 | -                 | 767      |
| 649         | -1                | -                 | 648      | 1,595           | 5                 | -                 | 1,600    | 1,016       | -1                | -                 | 1,015    | 2,610          | 4                 | -                 | 2,615    |
| -3          | 1                 | -                 | -2       | -3              | -5                | -                 | -8       | -           | 1                 | -                 | 1        | -3             | -4                | -                 | -7       |
| 758         | -                 | -                 | 758      | 2,055           | -                 | -                 | 2,055    | 641         | -                 | -                 | 642      | 2,696          | -                 | -                 | 2,696    |



## GROUP

| € million  | Q1 2017      |                   |              | Q2 2017      |                   |              | Jan.–June 2017 |                   |              |
|--|--------------|-------------------|--------------|--------------|-------------------|--------------|----------------|-------------------|--------------|
|  | as reported  | IFRS 5 adjustment | restated     | as reported  | IFRS 5 adjustment | restated     | as reported    | IFRS 5 adjustment | restated     |
| <b>RECONCILIATION OF EBIT<sup>1</sup> TO EBITDA PRE<sup>1</sup></b>                                      |              |                   |              |              |                   |              |                |                   |              |
| <b>Operating result (EBIT)<sup>1</sup></b>   | <b>755</b>   | <b>-42</b>        | <b>713</b>   | <b>628</b>   | <b>-20</b>        | <b>608</b>   | <b>1,382</b>   | <b>-62</b>        | <b>1,320</b> |
| Depreciation/amortization/impairment losses/reversals of impairment losses                               | 448          | -3                | 445          | 380          | -4                | 376          | 828            | -7                | 821          |
| <b>EBITDA<sup>1</sup></b>  | <b>1,203</b> | <b>-45</b>        | <b>1,157</b> | <b>1,008</b> | <b>-24</b>        | <b>984</b>   | <b>2,210</b>   | <b>-69</b>        | <b>2,141</b> |
| Restructuring costs  | 4            | -                 | 4            | 8            | -                 | 9            | 12             | -                 | 12           |
| Integration costs/IT costs   | 26           | -                 | 26           | 31           | -                 | 31           | 58             | -                 | 57           |
| Gains (-)/losses (+) from divested businesses  | 2            | -                 | 2            | -9           | -                 | -9           | -8             | -                 | -8           |
| Acquisition-related adjustments  | 3            | -                 | 3            | 7            | -                 | 7            | 11             | -                 | 11           |
| Other adjustments  | 3            | -                 | 3            | 48           | -3                | 45           | 51             | -3                | 48           |
| <b>EBITDA pre<sup>1</sup></b>  | <b>1,240</b> | <b>-45</b>        | <b>1,195</b> | <b>1,093</b> | <b>-27</b>        | <b>1,066</b> | <b>2,334</b>   | <b>-72</b>        | <b>2,261</b> |
| <b>BUSINESS FREE CASH FLOW<sup>1</sup></b>   |              |                   |              |              |                   |              |                |                   |              |
| EBITDA pre <sup>1</sup>  | 1,240        | -45               | 1,195        | 1,093        | -27               | 1,066        | 2,334          | -72               | 2,261        |
| Investments in property, plant and equipment, software as well as advance payments for intangible assets | -129         | 3                 | -126         | -195         | 4                 | -191         | -324           | 7                 | -317         |
| Changes in inventories   | -98          | 7                 | -91          | 6            | -                 | 5            | -93            | 7                 | -86          |
| Changes in trade accounts receivable as well as receivables from licenses                                | -254         | 23                | -231         | 133          | -8                | 125          | -121           | 15                | -106         |
| Elimination first-time consolidation BioControl Systems  | -            | -                 | -            | -            | -                 | -            | -              | -                 | -            |
| <b>Business free cash flow<sup>1</sup></b>   | <b>760</b>   | <b>-12</b>        | <b>747</b>   | <b>1,036</b> | <b>-31</b>        | <b>1,006</b> | <b>1,796</b>   | <b>-43</b>        | <b>1,753</b> |

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

| Q3 2017      |                   |              | Jan.-Sept. 2017 |                   |              | Q4 2017      |                   |            | Jan.-Dec. 2017 |                   |              |
|--------------|-------------------|--------------|-----------------|-------------------|--------------|--------------|-------------------|------------|----------------|-------------------|--------------|
| as reported  | IFRS 5 adjustment | restated     | as reported     | IFRS 5 adjustment | restated     | as reported  | IFRS 5 adjustment | restated   | as reported    | IFRS 5 adjustment | restated     |
| <b>901</b>   | <b>-39</b>        | <b>862</b>   | <b>2,283</b>    | <b>-101</b>       | <b>2,183</b> | <b>241</b>   | <b>-1</b>         | <b>240</b> | <b>2,523</b>   | <b>-101</b>       | <b>2,423</b> |
| 419          | -4                | 415          | 1,247           | -11               | 1,236        | 511          | -6                | 505        | 1,758          | -17               | 1,741        |
| <b>1,320</b> | <b>-42</b>        | <b>1,277</b> | <b>3,530</b>    | <b>-111</b>       | <b>3,419</b> | <b>752</b>   | <b>-7</b>         | <b>745</b> | <b>4,282</b>   | <b>-118</b>       | <b>4,164</b> |
| 16           | -                 | 16           | 28              | -                 | 28           | 56           | -23               | 33         | 84             | -23               | 61           |
| 37           | -                 | 36           | 94              | -1                | 94           | 94           | -                 | 94         | 189            | -1                | 188          |
| -313         | -                 | -313         | -321            | -                 | -321         | 11           | -                 | 11         | -310           | -                 | -310         |
| 1            | -                 | 1            | 12              | -                 | 12           | 51           | -                 | 51         | 63             | -                 | 63           |
| 15           | -10               | 5            | 66              | -13               | 53           | 40           | -12               | 28         | 106            | -26               | 81           |
| <b>1,076</b> | <b>-53</b>        | <b>1,023</b> | <b>3,410</b>    | <b>-125</b>       | <b>3,285</b> | <b>1,005</b> | <b>-43</b>        | <b>962</b> | <b>4,414</b>   | <b>-168</b>       | <b>4,246</b> |
| 1,076        | -53               | 1,023        | 3,410           | -125              | 3,285        | 1,005        | -43               | 962        | 4,414          | -168              | 4,246        |
| -225         | 6                 | -219         | -549            | 13                | -535         | -499         | 22                | -476       | -1,047         | 35                | -1,012       |
| 4            | 6                 | 10           | -89             | 13                | -76          | 66           | -8                | 58         | -23            | 5                 | -18          |
| 55           | 20                | 75           | -66             | 36                | -30          | 42           | -34               | 8          | -24            | 2                 | -22          |
| -            | -                 | -            | -               | -                 | -            | -2           | -                 | -2         | -2             | -                 | -2           |
| <b>910</b>   | <b>-20</b>        | <b>890</b>   | <b>2,706</b>    | <b>-63</b>        | <b>2,643</b> | <b>612</b>   | <b>-62</b>        | <b>550</b> | <b>3,318</b>   | <b>-125</b>       | <b>3,193</b> |

## GROUP

| € million   | Q1 2018      |                   |              |
|---|--------------|-------------------|--------------|
|   | as reported  | IFRS 5 adjustment | restated     |
| <b>RESULTS OF OPERATIONS</b>  |              |                   |              |
| <b>Net sales</b>  | <b>3,691</b> | <b>-205</b>       | <b>3,486</b> |
| Cost of sales   | -1,320       | 60                | -1,260       |
| <b>Gross profit</b>   | <b>2,371</b> | <b>-145</b>       | <b>2,226</b> |
| Marketing and selling expenses  | -1,106       | 86                | -1,020       |
| Administration expenses   | -228         | 7                 | -221         |
| Research and development costs  | -514         | 7                 | -508         |
| Impairment losses and reversals of impairment losses on financial assets (net)        | -3           | -                 | -2           |
| Other operating income  | 157          | -3                | 154          |
| Other operating expenses  | -158         | 31                | -127         |
| <b>Operating result (EBIT)<sup>1</sup></b>  | <b>518</b>   | <b>-15</b>        | <b>502</b>   |
| Financial result  | -62          | 1                 | -61          |
| <b>Profit before income taxes</b>   | <b>456</b>   | <b>-15</b>        | <b>441</b>   |
| Taxes on income   | -114         | 6                 | -108         |
| <b>Profit after tax from continuing operations</b>                                    | <b>342</b>   | <b>-9</b>         | <b>333</b>   |
| <b>Profit after tax from discontinued operations</b>                                  | <b>-</b>     | <b>9</b>          | <b>9</b>     |
| <b>Profit after tax</b>   | <b>342</b>   | <b>-</b>          | <b>342</b>   |
| of which: attributable to shareholders of Merck KGaA, Darmstadt, Germany (net income) | 341          | -                 | 341          |
| of which: non-controlling interests   | 1            | -                 | 1            |
| <b>Earnings per share in € (basic/diluted)</b>  |              |                   |              |
| attributable to continuing operations   | 0.78         | -0.02             | 0.76         |
| attributable to discontinued operations   | -            | 0.02              | 0.02         |

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

## GROUP

| € million  | Q1 2018      |                   |            |
|--|--------------|-------------------|------------|
|  | as reported  | IFRS 5 adjustment | restated   |
| <b>RECONCILIATION OF EBIT<sup>1</sup> TO EBITDA PRE<sup>1</sup></b>                                      |              |                   |            |
| <b>Operating result (EBIT)<sup>1</sup></b>   | <b>518</b>   | <b>-15</b>        | <b>502</b> |
| Depreciation/amortization/impairment losses/reversals of impairment losses                               | 428          | -6                | 422        |
| <b>EBITDA<sup>1</sup></b>  | <b>946</b>   | <b>-21</b>        | <b>924</b> |
| Restructuring costs  | 7            | -2                | 6          |
| Integration costs/IT costs   | 21           | -                 | 21         |
| Gains (-)/losses (+) from divested businesses  | 2            | -                 | 2          |
| Acquisition-related adjustments  | 1            | -                 | 1          |
| Other adjustments  | 39           | -25               | 14         |
| <b>EBITDA pre<sup>1</sup></b>  | <b>1,015</b> | <b>-48</b>        | <b>967</b> |
| <b>BUSINESS FREE CASH FLOW<sup>1</sup></b>   |              |                   |            |
| EBITDA pre <sup>1</sup>  | 1,015        | -48               | 967        |
| Investments in property, plant and equipment, software as well as advance payments for intangible assets | -132         | 4                 | -129       |
| Changes in inventories   | -66          | -3                | -69        |
| Changes in trade accounts receivable as well as receivables from licenses                                | -87          | 37                | -51        |
| <b>Business free cash flow<sup>1</sup></b>   | <b>729</b>   | <b>-11</b>        | <b>718</b> |

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

## HEALTHCARE

| € million  | Q1 2017      |                   |              | Q2 2017      |                   |              | Jan.-June 2017 |                   |              |
|--|--------------|-------------------|--------------|--------------|-------------------|--------------|----------------|-------------------|--------------|
|  | as reported  | IFRS 5 adjustment | restated     | as reported  | IFRS 5 adjustment | restated     | as reported    | IFRS 5 adjustment | restated     |
| <b>RESULTS OF OPERATIONS</b>   |              |                   |              |              |                   |              |                |                   |              |
| <b>Net sales</b>   | <b>1,735</b> | <b>-203</b>       | <b>1,531</b> | <b>1,783</b> | <b>-196</b>       | <b>1,587</b> | <b>3,518</b>   | <b>-400</b>       | <b>3,118</b> |
| Cost of sales  | -371         | 54                | -318         | -402         | 57                | -345         | -773           | 110               | -663         |
| <b>Gross profit</b>  | <b>1,364</b> | <b>-150</b>       | <b>1,214</b> | <b>1,381</b> | <b>-140</b>       | <b>1,242</b> | <b>2,745</b>   | <b>-289</b>       | <b>2,455</b> |
| Marketing and selling expenses   | -656         | 89                | -567         | -710         | 93                | -617         | -1,367         | 182               | -1,184       |
| Administration expenses  | -77          | 7                 | -69          | -78          | 8                 | -70          | -154           | 15                | -139         |
| Research and development costs   | -376         | 7                 | -369         | -389         | 8                 | -381         | -765           | 15                | -750         |
| Other operating expenses and income  | 191          | 3                 | 194          | 144          | 8                 | 152          | 335            | 11                | 346          |
| <b>Operating result (EBIT)<sup>1</sup></b>   | <b>445</b>   | <b>-44</b>        | <b>402</b>   | <b>348</b>   | <b>-23</b>        | <b>326</b>   | <b>794</b>     | <b>-66</b>        | <b>727</b>   |
| Depreciation/amortization/impairment losses/reversals of impairment losses                               | 184          | -3                | 181          | 117          | -4                | 113          | 301            | -7                | 294          |
| <b>EBITDA<sup>1</sup></b>  | <b>629</b>   | <b>-47</b>        | <b>582</b>   | <b>465</b>   | <b>-26</b>        | <b>439</b>   | <b>1,095</b>   | <b>-73</b>        | <b>1,021</b> |
| Restructuring costs  | -            | -                 | -            | 1            | -                 | 1            | -              | -                 | -            |
| Integration costs/IT costs   | 4            | -                 | 4            | 8            | -                 | 7            | 12             | -                 | 11           |
| Gains (-)/losses (+) from divested businesses  | -            | -                 | -            | -11          | -                 | -11          | -11            | -                 | -11          |
| Acquisition-related adjustments  | -            | -                 | -            | -            | -                 | -            | -              | -                 | -            |
| Other adjustments  | -            | -                 | -            | 17           | -3                | 14           | 17             | -3                | 14           |
| <b>EBITDA pre<sup>1</sup></b>  | <b>633</b>   | <b>-47</b>        | <b>586</b>   | <b>480</b>   | <b>-30</b>        | <b>450</b>   | <b>1,113</b>   | <b>-77</b>        | <b>1,036</b> |
| <b>BUSINESS FREE CASH FLOW<sup>1</sup></b>   |              |                   |              |              |                   |              |                |                   |              |
| EBITDA pre <sup>1</sup>  | 633          | -47               | 586          | 480          | -30               | 450          | 1,113          | -77               | 1,036        |
| Investments in property, plant and equipment, software as well as advance payments for intangible assets | -45          | 3                 | -42          | -87          | 4                 | -82          | -131           | 7                 | -124         |
| Changes in inventories   | -24          | 7                 | -17          | 1            | -                 | -            | -24            | 7                 | -17          |
| Changes in trade accounts receivable as well as receivables from royalties and licenses                  | -207         | 23                | -184         | 73           | -8                | 65           | -135           | 15                | -119         |
| <b>Business free cash flow<sup>1</sup></b>   | <b>356</b>   | <b>-14</b>        | <b>342</b>   | <b>467</b>   | <b>-33</b>        | <b>433</b>   | <b>823</b>     | <b>-47</b>        | <b>776</b>   |

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

| Q3 2017      |                   |              | Jan.-Sept. 2017 |                   |              | Q4 2017      |                   |              | Jan.-Dec. 2017 |                   |              | Q1 2018      |                   |              |
|--------------|-------------------|--------------|-----------------|-------------------|--------------|--------------|-------------------|--------------|----------------|-------------------|--------------|--------------|-------------------|--------------|
| as reported  | IFRS 5 adjustment | restated     | as reported     | IFRS 5 adjustment | restated     | as reported  | IFRS 5 adjustment | restated     | as reported    | IFRS 5 adjustment | restated     | as reported  | IFRS 5 adjustment | restated     |
| <b>1,708</b> | <b>-210</b>       | <b>1,498</b> | <b>5,226</b>    | <b>-610</b>       | <b>4,616</b> | <b>1,773</b> | <b>-200</b>       | <b>1,573</b> | <b>6,999</b>   | <b>-809</b>       | <b>6,190</b> | <b>1,640</b> | <b>-205</b>       | <b>1,435</b> |
| -379         | 62                | -317         | -1,152          | 172               | -981         | -435         | 76                | -359         | -1,587         | 248               | -1,340       | -394         | 60                | -334         |
| <b>1,329</b> | <b>-149</b>       | <b>1,180</b> | <b>4,074</b>    | <b>-438</b>       | <b>3,636</b> | <b>1,338</b> | <b>-124</b>       | <b>1,214</b> | <b>5,412</b>   | <b>-562</b>       | <b>4,850</b> | <b>1,246</b> | <b>-145</b>       | <b>1,101</b> |
| -666         | 83                | -583         | -2,033          | 266               | -1,767       | -689         | 84                | -606         | -2,722         | 349               | -2,373       | -636         | 85                | -551         |
| -71          | 7                 | -64          | -226            | 23                | -203         | -73          | 5                 | -68          | -299           | 28                | -271         | -81          | 7                 | -74          |
| -423         | 8                 | -416         | -1,188          | 22                | -1,166       | -443         | 9                 | -434         | -1,632         | 32                | -1,600       | -385         | 7                 | -379         |
| 413          | 8                 | 421          | 748             | 19                | 767          | -60          | 23                | -36          | 688            | 43                | 731          | 67           | 30                | 97           |
| <b>581</b>   | <b>-42</b>        | <b>539</b>   | <b>1,375</b>    | <b>-108</b>       | <b>1,267</b> | <b>73</b>    | <b>-3</b>         | <b>70</b>    | <b>1,447</b>   | <b>-111</b>       | <b>1,337</b> | <b>211</b>   | <b>-16</b>        | <b>195</b>   |
| 171          | -4                | 168          | 472             | -11               | 462          | 236          | -6                | 230          | 708            | -17               | 691          | 190          | -6                | 184          |
| <b>752</b>   | <b>-45</b>        | <b>707</b>   | <b>1,847</b>    | <b>-119</b>       | <b>1,728</b> | <b>308</b>   | <b>-8</b>         | <b>300</b>   | <b>2,155</b>   | <b>-127</b>       | <b>2,028</b> | <b>401</b>   | <b>-22</b>        | <b>379</b>   |
| -1           | -                 | -1           | -               | -                 | -            | 40           | -23               | 17           | 40             | -23               | 17           | 1            | -2                | -1           |
| 5            | -                 | 5            | 17              | -                 | 16           | 11           | -                 | 11           | 28             | -                 | 27           | 3            | -                 | 3            |
| -315         | -                 | -315         | -325            | -                 | -325         | 9            | -                 | 9            | -316           | -                 | -316         | -            | -                 | -            |
| -            | -                 | -            | -               | -                 | -            | -            | -                 | -            | -              | -                 | -            | -            | -                 | -            |
| 10           | -10               | -            | 27              | -13               | 14           | 15           | -13               | 2            | 42             | -26               | 16           | 25           | -24               | 1            |
| <b>453</b>   | <b>-56</b>        | <b>397</b>   | <b>1,566</b>    | <b>-132</b>       | <b>1,433</b> | <b>384</b>   | <b>-44</b>        | <b>339</b>   | <b>1,949</b>   | <b>-177</b>       | <b>1,773</b> | <b>430</b>   | <b>-49</b>        | <b>381</b>   |
| 453          | -56               | 397          | 1,566           | -132              | 1,433        | 384          | -44               | 339          | 1,949          | -177              | 1,773        | 430          | -49               | 381          |
| -85          | 6                 | -78          | -216            | 13                | -203         | -196         | 22                | -174         | -411           | 35                | -375         | -44          | 4                 | -40          |
| -12          | 6                 | -6           | -36             | 13                | -23          | -3           | -8                | -11          | -39            | 5                 | -34          | -12          | -3                | -15          |
| 10           | 20                | 31           | -125            | 36                | -89          | 74           | -34               | 40           | -51            | 2                 | -49          | -64          | 37                | -27          |
| <b>366</b>   | <b>-23</b>        | <b>343</b>   | <b>1,189</b>    | <b>-70</b>        | <b>1,119</b> | <b>259</b>   | <b>-64</b>        | <b>195</b>   | <b>1,448</b>   | <b>-134</b>       | <b>1,314</b> | <b>310</b>   | <b>-12</b>        | <b>299</b>   |

Darmstadt, November 9, 2018



Stefan Oschmann



Udit Batra



Kai Beckmann



Belén Garijo



Marcus Kuhnert

FINANCIAL CALENDAR  
2019



March  
3/7/2019

**Annual Press Conference**



August  
8/8/2019

**Half-year report**



April  
4/26/2019

**Annual General Meeting**



November  
11/14/2019

**Report on the third quarter**



May  
5/14/2019

**Report on the first quarter**

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**TYPESETTING + LAYOUT**

typowerkstatt Dickerhof & Schwarz, Darmstadt