

FY/Q4 2018 Financial Summary for Investors and Analysts

A year of investments and delivery on Guidance

- Healthcare – Solid organic growth of 5.2% driven by resilient core business with 3% organic growth and significant contribution of €160 m from Mavenclad® and Bavencio®
- Life Science – Above-market sales performance across all businesses
- Performance Materials – Positive organic growth due to strong demand for Semiconductor Solutions and OLED offsetting Liquid Crystals decline
- Full-year organic sales growth of +6.1%;
full-year organic EBITDA pre decline of -1.6%
- Delivered on Sales, EBITDA pre and EPS pre guidance
- Deleveraging target of <2x net debt to EBITDA pre achieved – 1.8x as of Dec. 31. 2018

Overview Financials

Q4 2018 Overview

- EBITDA pre margin reduction reflects FX headwinds, negative business mix in PM, higher LTIP¹ and hedging costs
- Lower EPS pre in line with EBITDA pre decline
- Higher operating cash flow reflects improved working capital management
- Working capital driven by strong volume growth

Q4 2018 Cash Flow Statement

- Profit after tax driven by disposal gain (+ €2.2 bn) from Consumer Health, which is neutralized in other operating activities
- Changes in other assets/liabilities reflects last year neutralizing of non-cash relevant U.S. tax gain
- Changes in net working capital driven by trade accounts receivables in HC & LS
- Higher investing cash flow from Consumer Health disposal
- Financing cash flow reflects repayment of bank loans and commercial paper

YE 2018 Balance Sheet

- Increase in cash from Consumer Health disposal
- Decrease in intangible assets due to D&A (~-€1.2 bn) and divestments (~-€0.3 bn) mitigated by FX (~+€0.7 bn)
- Increase in equity reflects Consumer Health disposal gain (equity ratio of 46.7%)
- Cash proceeds partly used for further deleveraging

¹LTIP = Long Term Incentive Plan

Q4 2018 Business Overview

Healthcare

- **Profitability driven by active portfolio development and strong topline**
- Net sales deviation YoY: organic +5.5%, FX -1.9%, portfolio +0.0%
- EBITDA pre deviation YoY: organic +27.6%, FX -5.4%, portfolio +0.0%
- Solid organic top-line due to double-digit growth of Fertility, Glucophage® and Concor®; Mavenclad® and Bavencio® strong
- Increasing contribution from Mavenclad® almost offsets ongoing decline of Rebif® from competition in U.S. and Europe
- Erbitux® with slight organic decrease reflecting ongoing competition and price pressure in major markets mitigated by volume growth in China
- Increased marketing and selling driven by launch preparation for potential Mavenclad® approval in U.S.
- R&D investments consistent with pipeline progress
- EBITDA pre reflects active portfolio development (~€110m), strong top-line contribution partially offset by R&D and M&S investments as well as FX headwinds

Life Science

- **Strong organic growth while strategic initiatives weigh on profitability**
- Net sales deviation YoY: organic +8.8%, FX +0.0%, portfolio +0.0%
- EBITDA pre deviation YoY: organic +4.0%, FX -1.2%, portfolio +0.0%
- Double-digit growth in Process Solutions due to ongoing strong demand across all businesses, especially for filtration and single-use
- Applied Solutions posts solid growth reflecting continued strong momentum across the portfolio, mainly analytics and gene editing
- Research Solutions with moderate organic growth – continuing positive demand trends across all businesses and regions
- M&S increase driven by strong topline growth and strategic investments
- Investments in eCommerce and strategic initiatives as well as higher LTIP¹ provisions weigh on EBITDA pre

Performance Materials

- **Organic growth driven by LCD capacity ramp-up projects in China while profitability trends towards 30%**
- Net sales deviation YoY: organic +7.8%, FX +1.0%, portfolio +0.0%
- EBITDA pre deviation YoY: organic -14.8%, FX -1.6%, portfolio +0.0%
- Strong organic growth of PM due to continuing strong demand for Semiconductor Solutions & OLED; Ongoing but temporary ramp-up of new panel plant projects in China supporting Liquid Crystals
- Semiconductor Solutions with above-market growth driven by strong demand for dielectrics and lithography materials, especially in APAC
- Surface Solutions softer driven by slowdown of automotive end market
- Marketing and selling in line with strong top-line growth
- Higher R&D due to projects in Semiconductor Solutions and OLED application lab in China
- Profitability driven by negative business mix, ongoing Liquid Crystals decline and LTIP¹ provisions

¹LTIP = Long Term Incentive Plan

2019 guidance

Group:

- Net sales: Moderate organic growth; slight FX headwinds of -1% to -2% YoY
- EBITDA pre: Strong organic % YoY increase in the low teens¹; moderate FX headwinds of -3% to -4% YoY
 - EBITDA² supporting factors:
 - Strong sales contribution from Mavenclad[®] ramp-up and Bavencio[®]; first sales contribution from Mavenclad[®] U.S. with potential FDA approval expected in Q2 2019
 - Ongoing strength at Life Science with organic net sales growth slightly above market
 - Successful partnering of M7824 with ~€100m of deferred income from upfront payment recognized as other operating income
 - Income from milestones and management of pipeline (part of operating business in Healthcare)
 - Lower expected license payments for Erbitux
 - High level of cost consciousness and prioritization
 - Adoption of IFRS 16 contributes ~€130m³ to organic EBITDA growth YoY
 - EBITDA² reducing factors:
 - Slight absolute increase in R&D costs budgeted for Healthcare but decrease as % of sales (actual development will be subject to clinical data outcome of priority projects and prioritization decisions)
 - Healthcare underlying margins negatively impacted by product mix
 - Performance Materials sales and earnings reaching trough due to expected decline in Liquid Crystals
 - Negative FX impact from unfavorable currency development in Emerging markets; EUR/USD of 1.15-1.20 neutral versus 2018

¹Incl. ~€130m YoY contribution from adoption of IFRS 16 (Healthcare ~30%, Life Science ~40%, PM ~10%, CO ~20%)

²EBITDA pre

³Incl. ~€130m YoY contribution from adoption of IFRS 16 (Healthcare ~30%, Life Science ~40%, PM ~10%, CO ~20%)

Outlook by business sector:

Healthcare

- Net sales:
 - Moderate organic growth
 - Base business at least stable organically
 - Strong contributions from launches
 - Includes expected Mavenclad US approval

- EBITDA pre:
 - Strong % YoY increase in the low to mid twenties
 - Driven by new launches, partnering and active pipeline management
 - Strong adverse FX impact

Life Science

- Net sales:
 - Organic growth slightly above ~4% p.a. medium-term market growth
 - All businesses contributing;
Process Solutions remains main growth driver

- EBITDA pre:
 - Strong, up to double-digit organic growth driven by sales growth and margin progression
 - Moderate negative FX impact

Performance Materials

- Net sales:
 - Moderate organic decline
 - Liquid Crystals temporarily benefiting from capacity ramp-up in China

- EBITDA pre:
 - Organic % YoY decline in the high single digits to low teens
 - Ongoing price decline in LC cannot be offset by higher volumes
 - FX about stable YoY

Additional financial guidance for 2019

- | | |
|--------------------------------|--|
| ▪ Corporate & Other EBITDA pre | ~ -€360 – -400 m |
| ▪ Interest result | ~ -€220 – -240 m |
| ▪ Effective tax rate | ~24% to 26% |
| ▪ Capex on PPE | ~ €1.1 bn – 1.2bn |
| ▪ Hedging / USD assumption | FY 2019 hedge ratio ~60%
at EUR/USD ~1.20 |
| ▪ 2019 Ø EUR/USD assumption | ~1.15 – 1.20 |

Group Q4

€ m	Group			Healthcare			Life Science			Performance Materials			Corporate/Others		
	Q4 2017	Q4 2018	% YoY	Q4 2017	Q4 2018	% YoY	Q4 2017	Q4 2018	% YoY	Q4 2017	Q4 2018	% YoY	Q4 2017	Q4 2018	% YoY
Net sales	3.648	3.888	7%	1.573	1.630	4%	1.496	1.628	9%	579	629	9%			
% organic			7%			6%			9%			8%			
% FX			-1%			-2%			0%			1%			
% portfolio			0%			0%			0%			0%			
EBIT	240	341	42%	70	190	>100%	156	232	48%	136	98	-28%	-122	-179	47%
Depreciation and amortization	505	504	0%	230	213	-7%	182	190	4%	77	84	9%	17	17	-1%
EBITDA	745	844	13%	300	403	34%	338	422	25%	213	183	-14%	-106	-163	54%
Adjustments in EBITDA	217	105	-51%	39	11	-72%	123	52	-58%	15	8	-46%	40	34	-15%
EBITDA pre	962	950	-1%	339	414	22%	461	474	3%	228	191	-16%	-66	-129	95%
Net financial debt	10.144 *	6.701	-34%												

* as per 31 December

Totals may not add up due to rounding

Group FY

€ m	Group			Healthcare			Life Science			Performance Materials			Corporate/Others		
	FY 2017	FY 2018	% YoY	FY 2017	FY 2018	% YoY	FY 2017	FY 2018	% YoY	FY 2017	FY 2018	% YoY	FY 2017	FY 2018	% YoY
Sales	14.517	14.836	2%	6.190	6.246	1%	5.882	6.185	5%	2.446	2.406	-2%			
% organic			6%			5%			9%			2%			
% FX			-4%			-4%			-4%			-3%			
% portfolio			0%			0%			0%			0%			
EBIT	2.423	1.727	-29%	1.337	731	-45%	834	1.036	24%	689	508	-26%	-437	-548	25%
Depreciation and amortization	1.741	1.801	3%	691	761	10%	746	719	-4%	258	261	1%	45	60	31%
EBITDA	4.164	3.528	-15%	2.028	1.492	-26%	1.580	1.755	11%	947	769	-19%	-391	-488	25%
Adjustments in EBITDA	83	272	>100%	-256	63	n.m.	206	85	-59%	33	17	-49%	99	107	8%
EBITDA pre	4.246	3.800	-11%	1.773	1.556	-12%	1.786	1.840	3%	980	786	-20%	-292	-381	31%
Net financial debt*	10.144	6.701	-34%												

* as per 31 December

Totals may not add up due to rounding

Group

P&L Group	Q4 2017	Q4 2018	% YoY
Net sales	3.648	3.888	7%
Cost of sales	-1.317	-1.456	11%
thereof: intangibles amortization	-45	-45	-2%
Gross profit	2.331	2.431	4%
Marketing and selling expenses	-1.096	-1.179	8%
thereof: intangibles amortization	-248	-244	-2%
Administration	-206	-297	44%
Impairment losses and reversals	-	3	n.m.
Other operating income/expenses	-218	19	n.m.
Research and development	-570	-637	12%
EBIT	240	341	42%
Depreciation and amortization	505	504	0%
EBITDA	745	844	13%
Adjustments in EBITDA	217	105	-51%
EBITDA pre	962	950	-1%
Financial result	-94	-84	-11%
Profit before tax	146	257	76%
Income tax	886	-64	n.m.
Profit after tax from continuing operations	1.032	193	-81%
Profit after tax from discontinued operations	-17	2.266	n.m.
Profit after tax	1.015	2.458	>100%
Non-controlling interests	-3	-12	>100%
Net income	1.012	2.446	>100%
Number of theoretical shares in million	434,8	434,8	
EPS in €	2,33	5,63	>100%
EPS pre in €	1,25	1,22	-2%

Totals may not add up due to rounding

Healthcare

P&L Healthcare	Q4 2017	Q4 2018	% YoY
Net sales	1.573	1.630	4%
Cost of sales	-359	-385	7%
thereof: intangibles amortization	-1	-1	-7%
Gross profit	1.214	1.246	3%
Marketing and selling expenses	-606	-625	3%
thereof: intangibles amortization	-138	-134	-3%
Administration	-68	-76	12%
Impairment losses and reversals	-	5	n.m.
Other operating income/expenses	-36	132	n.m.
Research and development	-434	-492	13%
EBIT	70	190	>100%
Depreciation and amortization	230	213	-7%
EBITDA	300	403	34%
Adjustments in EBITDA	39	11	-72%
EBITDA pre	339	414	22%

Totals may not add up due to rounding

Life Science

P&L Life Science	Q4 2017	Q4 2018	% YoY
Net sales	1.496	1.628	9%
Cost of sales	-685	-739	8%
thereof: intangibles amortization	-15	-15	-1%
Gross profit	811	889	10%
Marketing and selling expenses	-431	-473	10%
thereof: intangibles amortization	-107	-107	0%
Administration	-66	-83	25%
Impairment losses and reversals	-	-3	n.m.
Other operating income/expenses	-106	-28	-73%
Research and development	-52	-70	36%
EBIT	156	232	48%
Depreciation and amortization	182	190	4%
EBITDA	338	422	25%
Adjustments in EBITDA	123	52	-58%
EBITDA pre	461	474	3%

Totals may not add up due to rounding

Performance Materials

P&L Performance Materials	Q4 2017	Q4 2018	% YoY
Net sales	579	629	9%
Cost of sales	-275	-334	22%
thereof: intangibles amortization	-29	-29	-2%
Gross profit	304	296	-3%
Marketing and selling expenses	-61	-72	19%
thereof: intangibles amortization	-3	-3	-4%
Administration	-18	-26	48%
Impairment losses and reversals	-	0	n.m.
Other operating income/expenses	-37	-40	7%
Research and development	-52	-59	13%
EBIT	136	98	-28%
Depreciation and amortization	77	84	9%
EBITDA	213	183	-14%
Adjustments in EBITDA	15	8	-46%
EBITDA pre	228	191	-16%

Totals may not add up due to rounding