



DRIVING FUTURE GROWTH

Merck Q2 2017 results

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MERCK

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This quarterly presentation contains certain financial indicators such as EBITDA pre exceptionals, net financial debt and earnings per share pre exceptionals, 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 Merck 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.

Agenda

- 01** Executive summary
- 02** Financial overview
- 03** Deep dive: Performance Materials
- 04** Guidance



01

EXECUTIVE SUMMARY

Highlights

Operations

- ▶ Healthcare – sound core business and positive CHMP* opinion for Mavenclad & Bavencio
- ▶ Life Science – solid growth dynamics against tough comps; Sigma integration on track
- ▶ Performance Materials – Liquid Crystal market share normalization increasingly visible

Financials

- ▶ Sales growth of 2.3%; EBITDA pre down 5.6% to €1,093 m
- ▶ Operating cash flow of €1.3bn in H1 2017 shows strong focus on cash generation
- ▶ FY 2017 guidance – net sales: €15.3 – 15.7 bn & EBITDA pre: €4,400 – 4,600 m

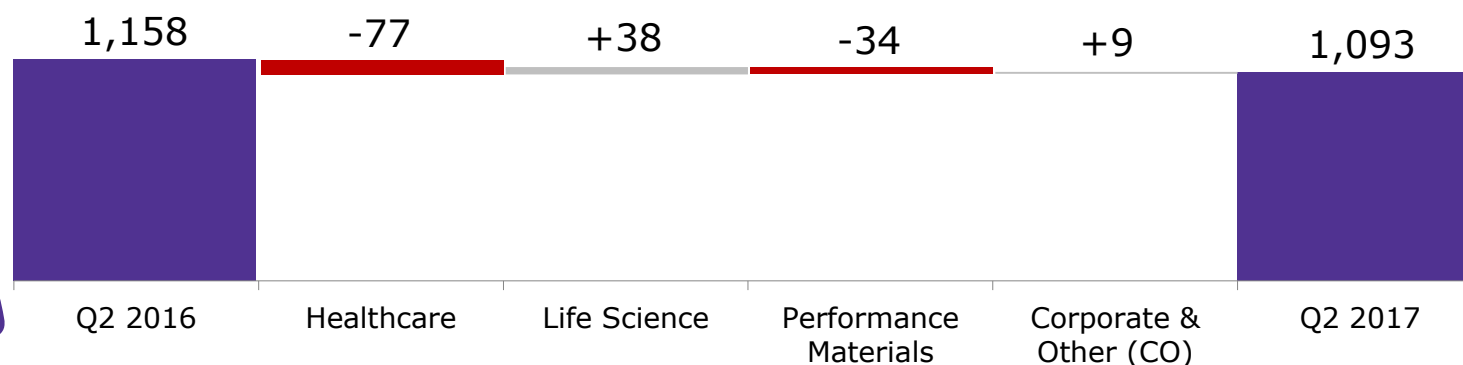
Investments in Healthcare and softness in Liquid Crystals burden EBITDA pre

Q2 2017 YoY net sales

	Organic	Currency	Portfolio	Total
Healthcare	2.6%	0.1%	-1.0%	1.7%
Life Science	4.2%	0.1%	0.3%	4.6%
Performance Materials	-3.2%	1.8%	0.0%	-1.3%
Merck Group	2.3%	0.4%	-0.3%	2.3%

- Healthcare reflects strong growth in General Medicine, especially Glucophage in China and resilience of portfolio
- Solid growth in Life Science driven by all business segments
- Organic growth of ICM*, Pigments and OLED is outweighed by ongoing market share normalization in Liquid Crystals

Q2 YoY EBITDA pre contributors [€ m]

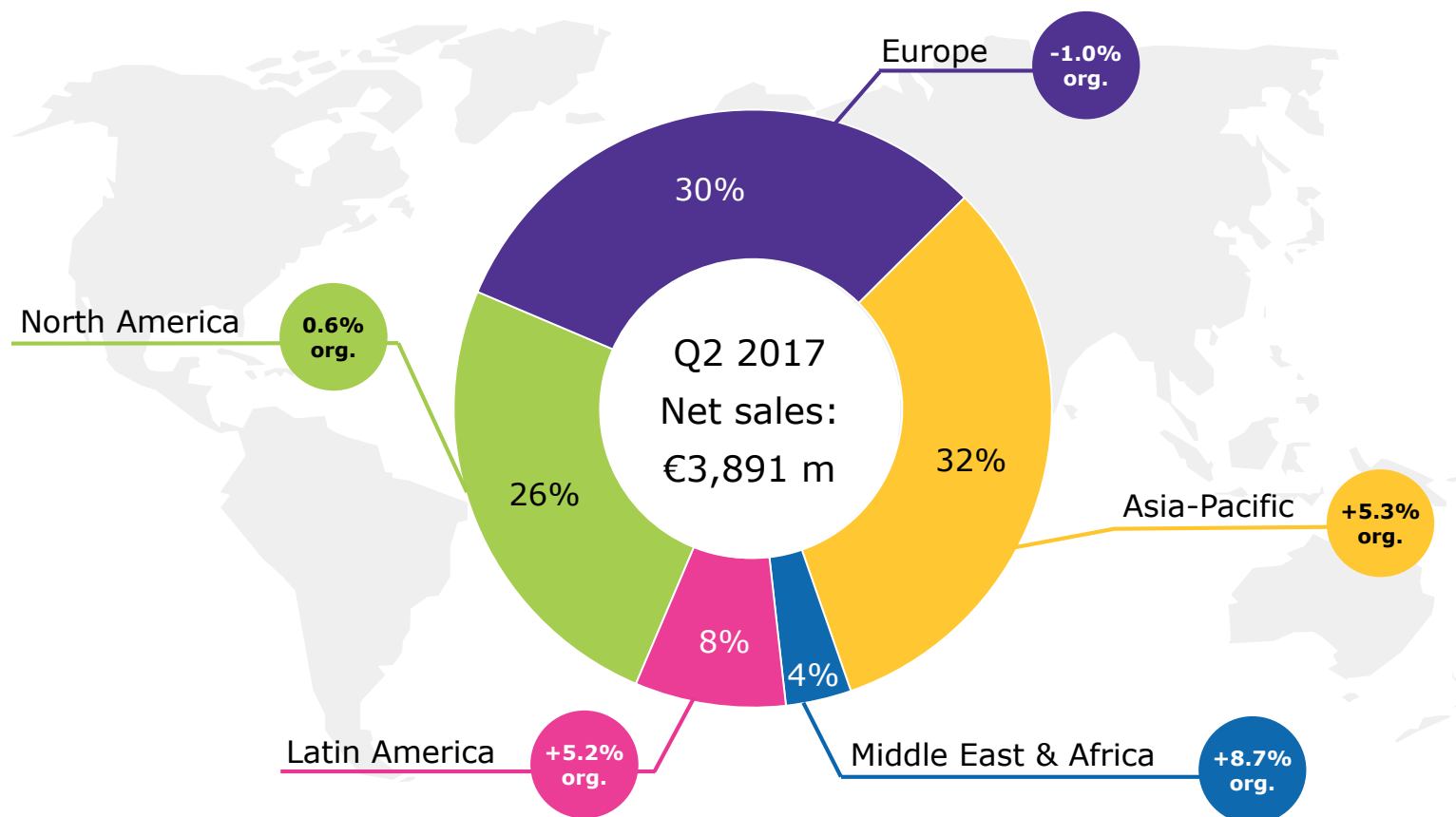


- Healthcare reflects investments in marketing & selling and R&D as well as negative product mix effects
- Life Science driven by organic growth and synergy realization
- Performance Materials lower due to unfavorable business mix & usual price declines
- CO contains positive FX hedging Δ vs. LY

*Integrated Circuit Materials
Totals may not add up due to rounding

Organic growth driven by APAC, LATAM and MEA

Regional breakdown of net sales [€ m]



Regional organic development

- Slight decline in Europe reflects competition for Rebif, Erbitux and Gonal-f, mitigated by solid demand in Life Science
- Slight growth in North America from Life Science and Rebif pricing offset tough Gonal-f comparables
- Solid growth in APAC supported by Glucophage repatriation and strong Life Science demand in China, outweighing LC softness
- Strong performance in LATAM and MEA across all major businesses



02

FINANCIAL OVERVIEW

Q2 2017: Overview

Key figures

[€m]	Q2 2016	Q2 2017	Δ
Net sales	3,805	3,891	2.3%
EBITDA pre	1,158	1,093	-5.6%
Margin (in % of net sales)	30.4%	28.1%	
EPS pre	1.55	1.54	-0.6%
Operating cash flow	311	520	67.1%

[€m]	Dec. 31, 2016	June 30, 2017	Δ
Net financial debt	11,513	11,248	-2.3%
Working capital	3,486	3,775	8.3%
Employees	50,414	52,233	3.6%

Comments

- EBITDA pre & margin reduction reflect investments in Healthcare and ongoing LC market share normalization
- EPS pre stable despite EBITDA pre decrease due to improved financial result
- Strong increase in operating cash flow driven by lower tax payments
- Net financial debt reflects strong operating cash flow amid dividend payment
- Working capital reflects increased receivables mainly due to Glucophage repatriation
- Higher headcount due to investments in growth markets and takeover of temporary workers

Reported figures reflect business performance and impairments

Reported results

[€m]	Q2 2016	Q2 2017	Δ
EBIT	550	628	14.0%
Financial result	-121	-71	-41.5%
Profit before tax	429	557	29.7%
Income tax	-115	-134	16.4%
<i>Effective tax rate (%)</i>	26.7%	24.0%	
Net income	312	421	35.1%
EPS (€)	0.72	0.97	34.7%

Comments

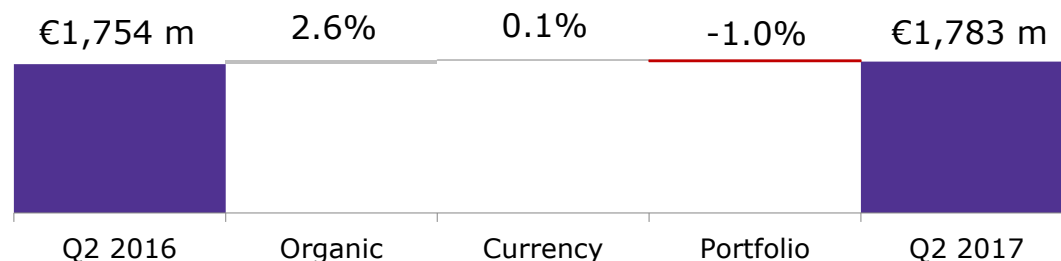
- EBIT higher despite lower EBITDA pre due to write-up of Vevey site (~ -€70 m) and Xalkori impairment (~ €70 m) LY
- Financial result LY contained significant adverse effects from LTIP*
- Effective tax rate within guidance range of ~23-25%; LY impacted by Xalkori impairment

Healthcare: Investments in future growth weigh on profitability

Healthcare P&L

[€m]	Q2 2016	Q2 2017
Net sales	1,754	1,783
Marketing and selling	-643	-710
Administration	-66	-78
Research and development	-378	-389
EBIT	298	348
EBITDA	558	465
EBITDA pre	557	480
Margin (in % of net sales)	31.8%	26.9%

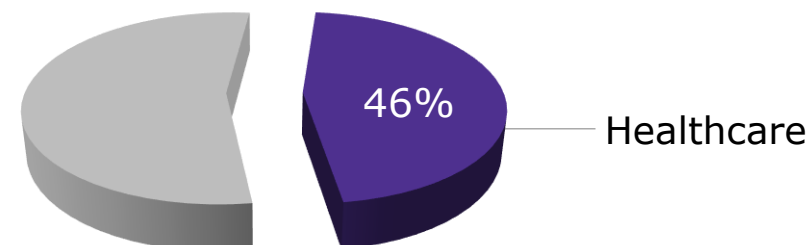
Net sales bridge



Comments

- Rebif organically lower as competition in U.S. & E.U. as well as tender phasing in Russia outweigh pricing and positive inventory effect in the U.S.
- Organic decline of Erbitux due to competitive and price pressure in EU outpaces growth in China & LATAM, but also facing strong base LY
- Fertility slightly lower, mainly due to Gonal-f with record quarter LY
- Marketing & selling reflects pre-launch investments for Bavencio and Mavenclad and Glucophage in China after full repatriation
- R&D investment picking up, expected further ramp-up in H2
- EBITDA pre reflects higher investments and negative mix effects exceeding income from milestone payment for Bavencio

Q2 2017 share of group net sales

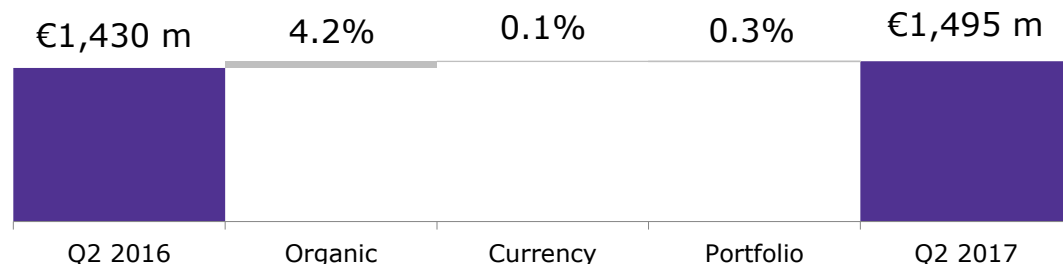


Life Science: Solid organic growth and synergy realization drive EBITDA pre

Life Science P&L

[€m]	Q2 2016	Q2 2017
Net sales	1,430	1,495
Marketing and selling	-413	-443
Administration	-58	-65
Research and development	-65	-67
EBIT	166	221
EBITDA	343	411
EBITDA pre	417	454
Margin (in % of net sales)	29.1%	30.4%

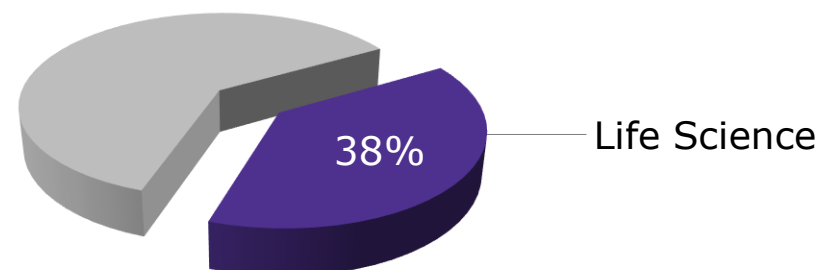
Net sales bridge



Comments

- Growth of Process Solutions picks up due to ongoing strength in single-use, service activities and improved small molecule business
- Applied Solutions shows moderate organic growth, driven by bio-monitoring products for pharma & pick up of Lab Water
- Research Solutions benefits from strong demand in China, U.S. slightly improving while Europe remains soft
- Q2 2016 EBIT affected by inventory step-up for Sigma-Aldrich
- Profitability reflects organic growth and synergies

Q2 2017 share of group net sales

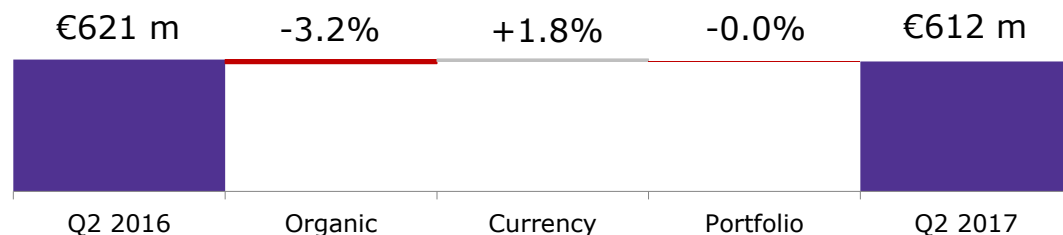


Performance Materials: Ongoing LC market share normalization burdens profitability

Performance Materials P&L

[€m]	Q2 2016	Q2 2017
Net sales	621	612
Marketing and selling	-59	-64
Administration	-14	-19
Research and development	-53	-59
EBIT	193	167
EBITDA	267	231
EBITDA pre	273	239
Margin (in % of net sales)	44.1%	39.1%

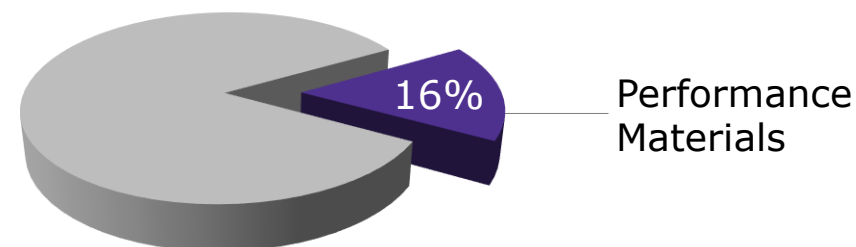
Net sales bridge



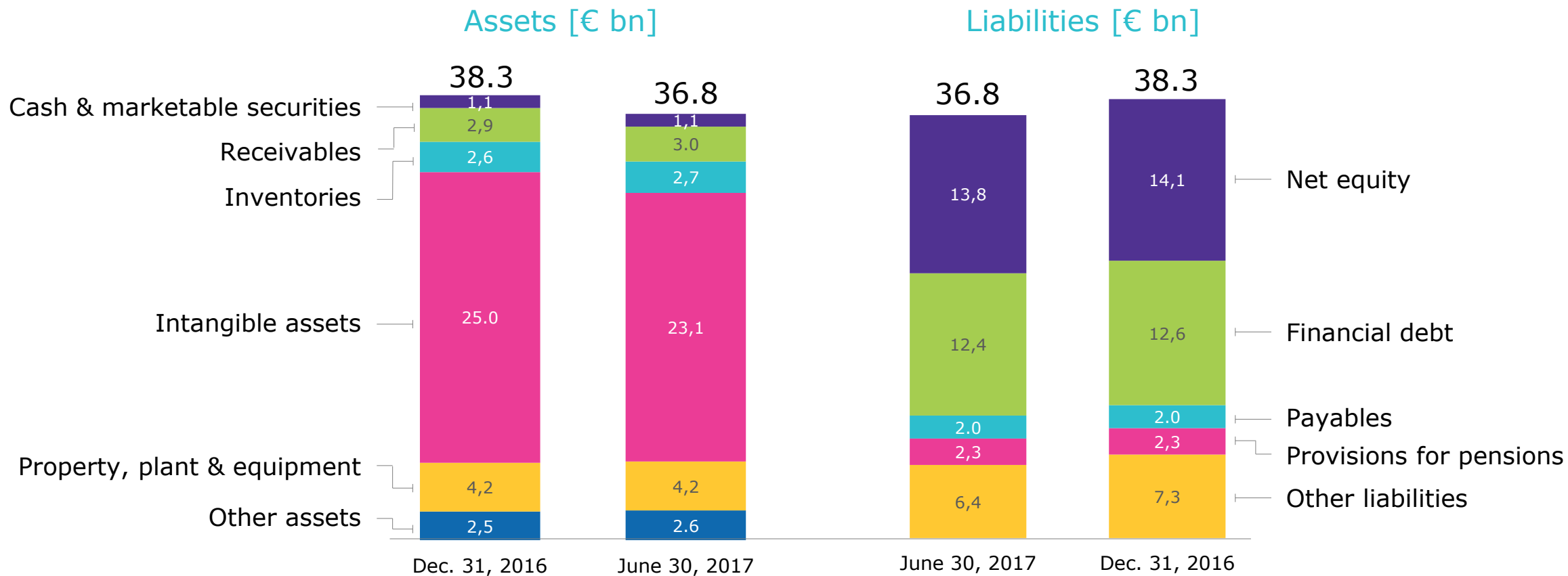
Comments

- Organic growth of Integrated Circuit Materials, Pigments and OLED not fully offsetting Liquid Crystal market share normalization
- LC volume development temporarily below usual price reductions
- OLED continues to grow on industry capacity expansion & investments
- Strong growth in ICM mainly driven by demand for dielectric materials (AZ) and deposition materials (SAFC from Sigma)
- Growth of Pigments due to solid demand for decorative pigments, while LYs demand for insect repellents sets tough comps for active cosmetics
- Profitability reflects negative business mix, typical LC price reductions as well as higher R&D for future growth projects

Q2 2017 share of group net sales



Balance sheet – deleveraging in progress after Sigma acquisition



- Total assets decrease, while equity ratio increases to 37.4%
- Reduction in intangible assets reflects D&A (-€0.6 bn) and FX (-€1.5 bn)
- Lower net equity reflects negative FX mitigated by H1 profit
- Other liabilities decrease driven by profit transfer to E. Merck KG as well as bonus payments

Healthy operating cash flow supported by lower tax payments

Q2 2017 – cash flow statement

[€m]	Q2 2016	Q2 2017	Δ
Profit after tax	314	423	109
D&A	519	380	-139
Changes in provisions	-67	21	88
Changes in other assets/liabilities	-397	-333	64
Other operating activities	-28	-11	17
Changes in working capital	-30	40	70
Operating cash flow	311	520	209
Investing cash flow	-114	-302	-188
thereof Capex on PPE	-125	-172	-47
Financing cash flow	-357	-184	173

Cash flow drivers

- D&A reduction reflects write up of Vevey site (~ -€70 m) and Xalkori impairment (~ €70 m) LY
- Changes in other assets/liabilities driven by lower tax payments
- Investing cash flow contains higher Capex & payments for F-star cooperation
- Capex mainly driven by investments in Healthcare and Sigma integration
- Financing cash flow reflects dividend payment, LY with higher redemption of debt

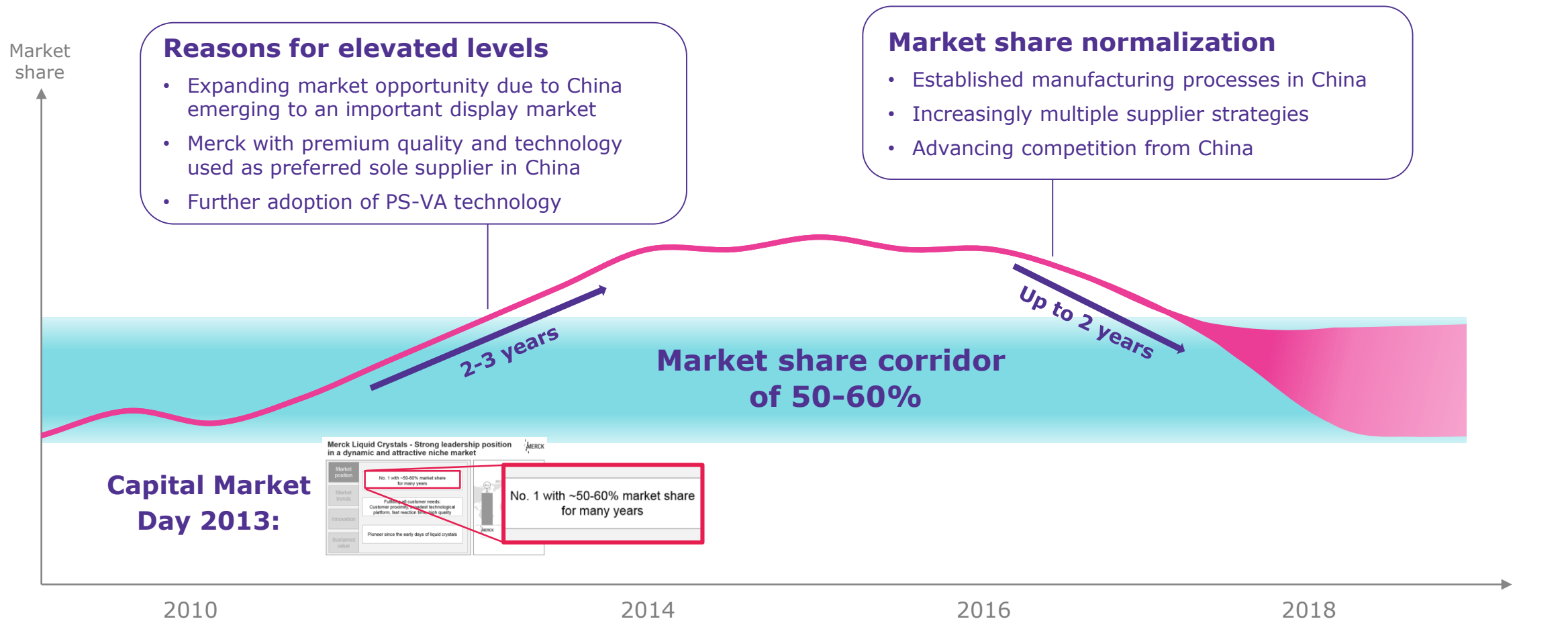


03

**DEEP DIVE:
PERFORMANCE
MATERIALS**

Market shares are returning to normal levels

Merck global liquid crystal market share development



Market share normalization will have financial implications

sales:

- ~ €200 – 300 m Liquid Crystals sales decline, depending on market share assumptions
- Started end of 2016; expected to last up to end of 2018

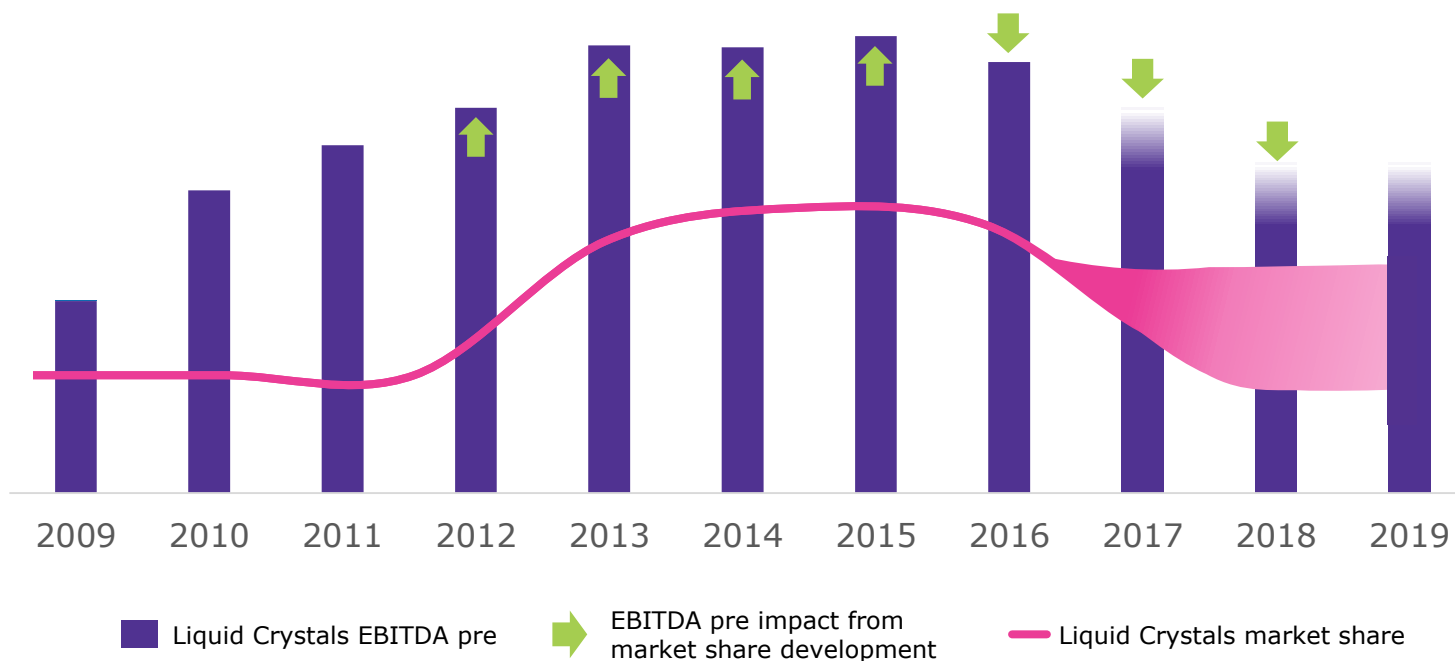
profitability :

- Volume growth temporarily below typical price decline
- Lower volume growth limits operational efficiencies
- Lower share of business with highest profitability causes negative mix

Earnings:

- Significant EBITDA pre impact

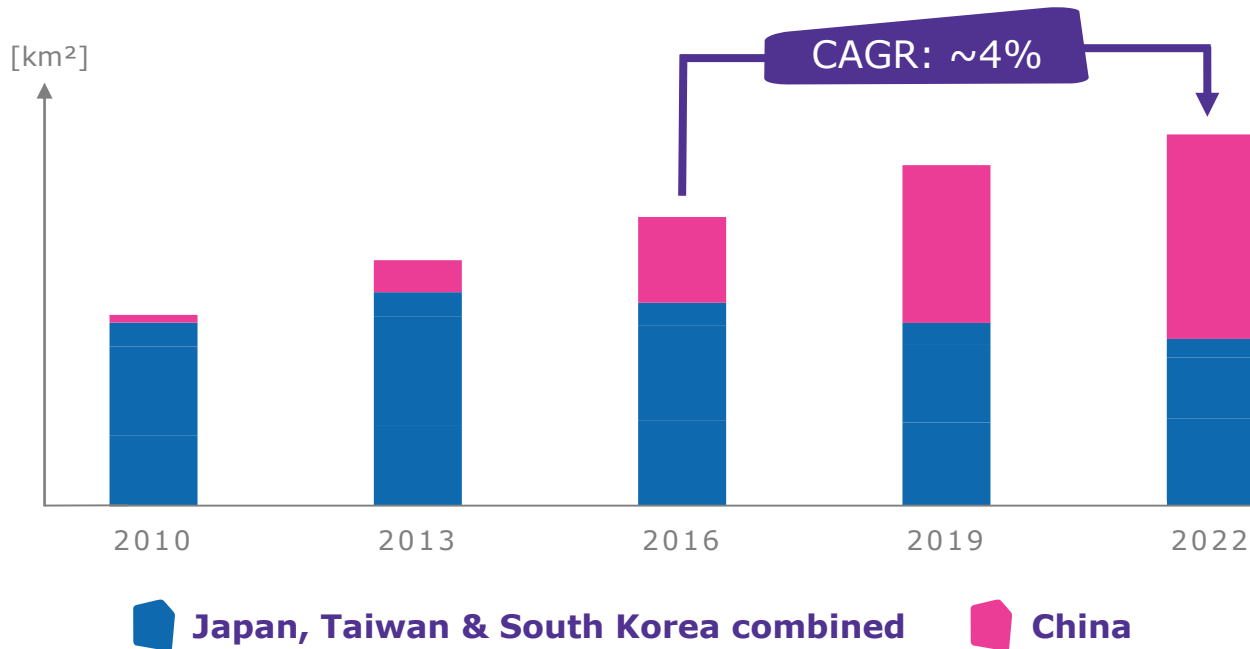
Liquid Crystals: Organic EBITDA pre and market share illustration



Strong sales and EBITDA pre contribution from 2012-2015 to reverse from 2017 onwards

Merck will leverage its capabilities to address shift towards more dynamic Chinese market

Share of global display production capacities by region [km²]*



Panel market dynamics in China

- Strong capacity build-up since 2012
- Historically main focus on local market supply with low to medium end displays
- Possibility to enter into global and higher-end markets in the future

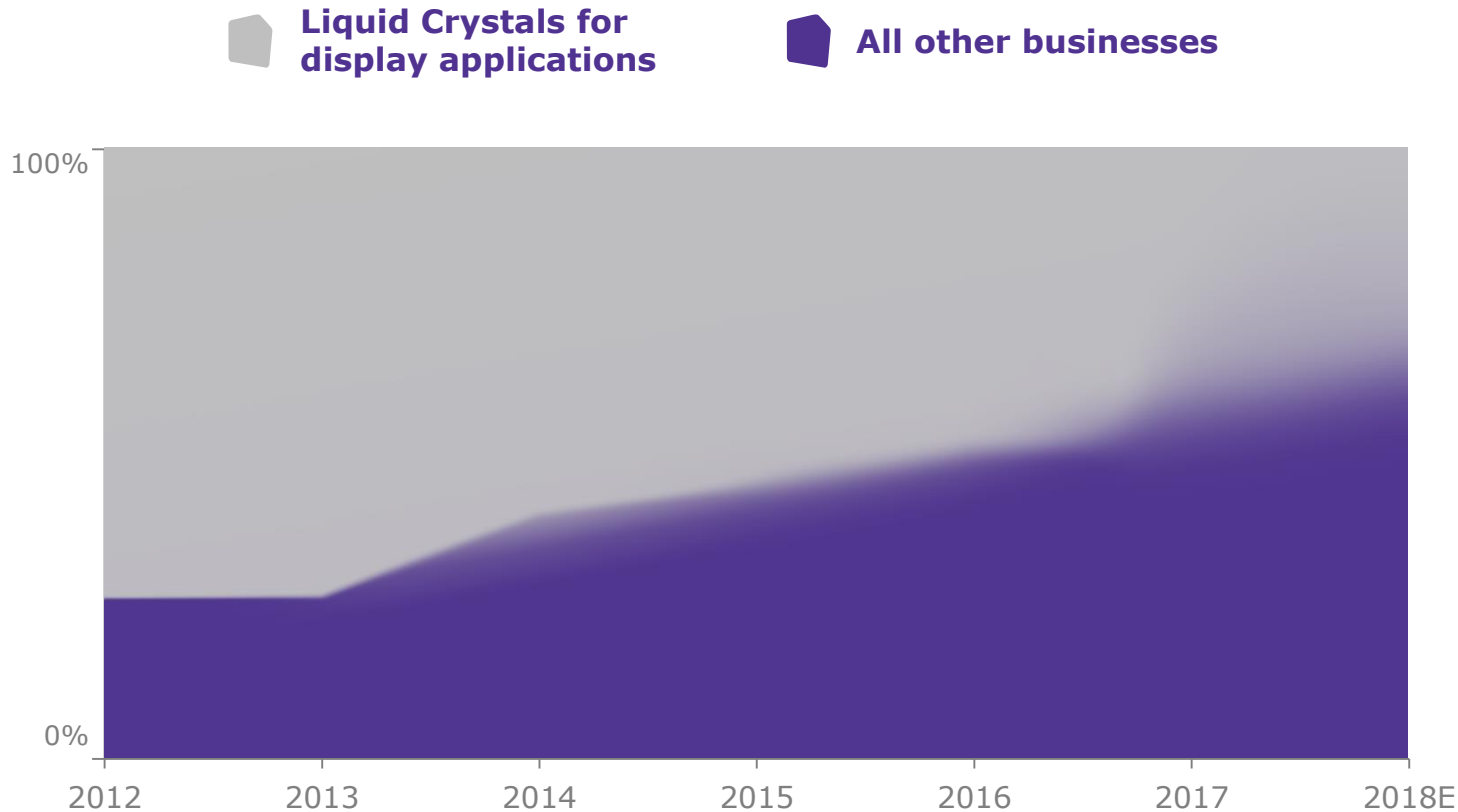
Leverage Merck's competitive advantage

- *Customer proximity:* Reallocate resources to improve specific customer support
- *Application and production know-how:* Develop technologies that translate into commercial value
- *Continuous innovation:* Investments in Shanghai R&D hub to support local customers

Capacity growth will benefit our leading supply capabilities especially from 2019

Four-pillar-strategy drives Performance Materials to a higher level of diversification

Sales share of Liquid Crystals for displays versus all other businesses

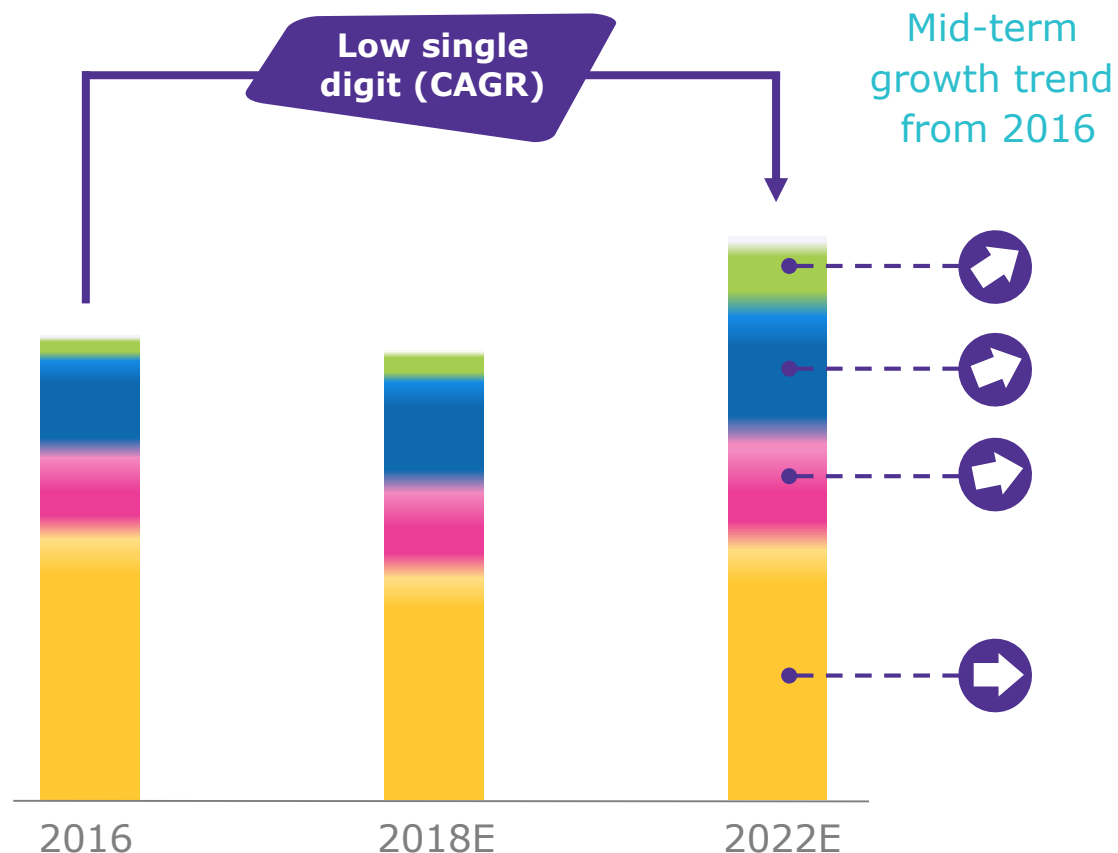


Diversification of Performance Materials increased due to

- AZ acquisition in 2014
- LC market shares returning to more normal levels
- Higher growth of non-LC businesses

Performance Materials on track to achieve solid growth path

Performance Materials mid-term sales development and drivers



Advanced Technologies

Enhance and exploit leading position in OLED

Integrated Circuit Materials

Outpace market growth with specialty materials assisting miniaturization

Pigments & Functional Materials

Expansion into larger functional material markets

Display Materials

- Assumed market share stabilization after 2018
- Area demand and capacity growth of ~4%
- New modes mitigating price declines (SA-VA, UB-Plus,...)
- Liquid Crystals initiatives beyond displays to contribute from 2018 onwards (windows, antennas, light guiding)

Executive summary

-  **Liquid Crystals market shares are returning to historically normal levels**
-  **Chinese display market will increase importance**
-  **Profitability will reflect shifting business composition, but will remain industry-leading**
-  **Performance Materials is set up to create value and generate growth in the future**





04

GUIDANCE

Full-year 2017 guidance broadly confirmed

▶ Net sales: ~ €15.3 – 15.7 bn ◀

▶ EBITDA pre: ~ €4,400 – 4,600 m ◀

▶ EPS pre: ~ €6.15 – 6.50 ◀



2017 business sector guidance



Healthcare

Net sales

- Slight organic growth
- Ongoing organic Rebif decline
- Other franchises growing; repatriation of Glucophage/China supportive

EBITDA pre

~ €1,900 – 2,000 m



Life Science

Net sales

- Organic growth slightly above market, driven by Process Solutions
- First minor contribution of top-line synergies

EBITDA pre

~ €1,780 – 1,850 m



Performance Materials

Net sales

- Slight to moderate organic decline
- Volume increases in all businesses
- Continuation of Liquid Crystal market share normalization in China

EBITDA pre

~ €950 – 1,050 m



APPENDIX

Additional financial guidance 2017

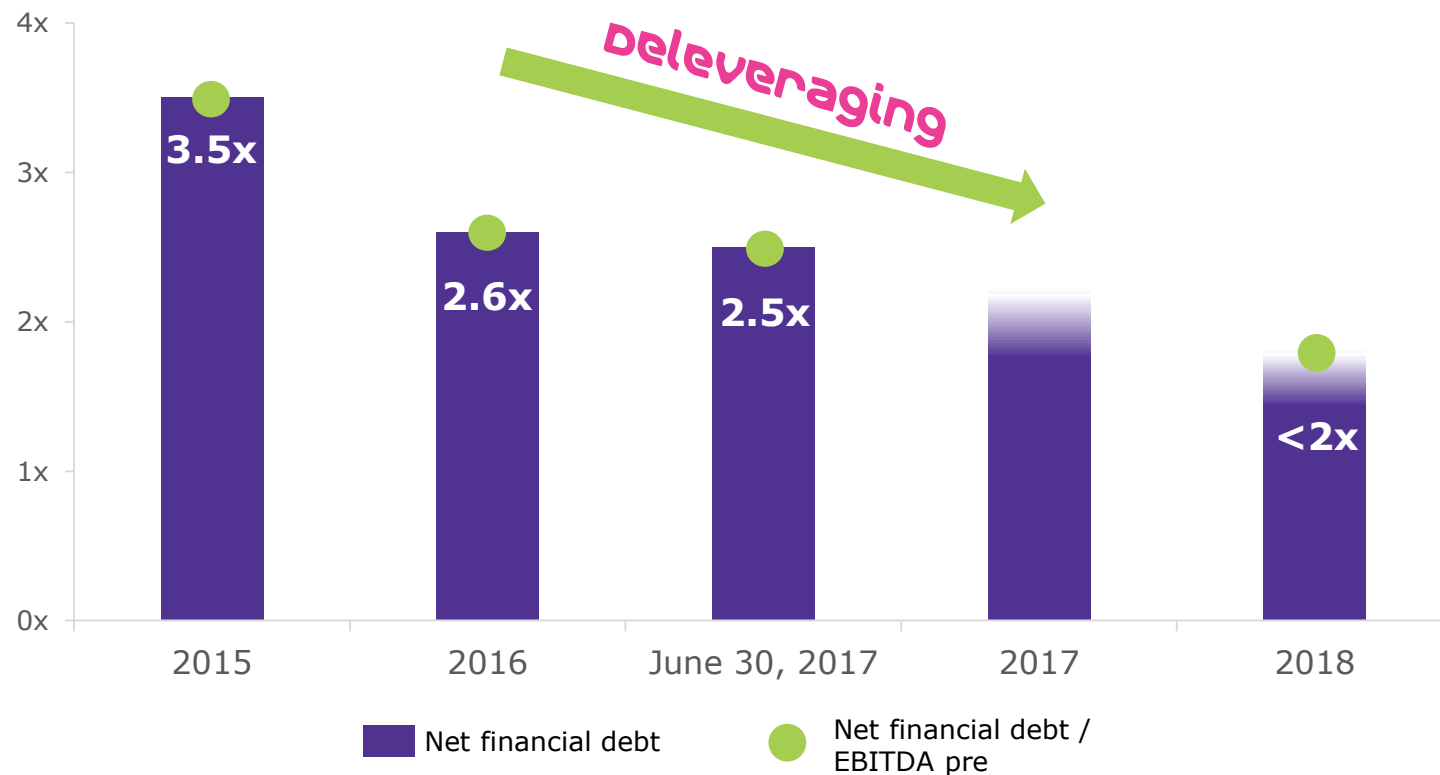
Further financial details

Corporate & Other EBITDA pre	~ -€350 – -400 m
Interest result	~ -€250 – -260 m
Effective tax rate	~ 23% to 25%
Capex on PPE	~ €850 – 900 m
Hedging/USD assumption	2017 hedge ratio ~60% at EUR/USD ~ 1.11 to 1.13
2017 Ø EUR/USD assumption	~ 1.09 – 1.13

Strong focus on cash generation to ensure swift deleveraging

Net financial debt* and leverage development

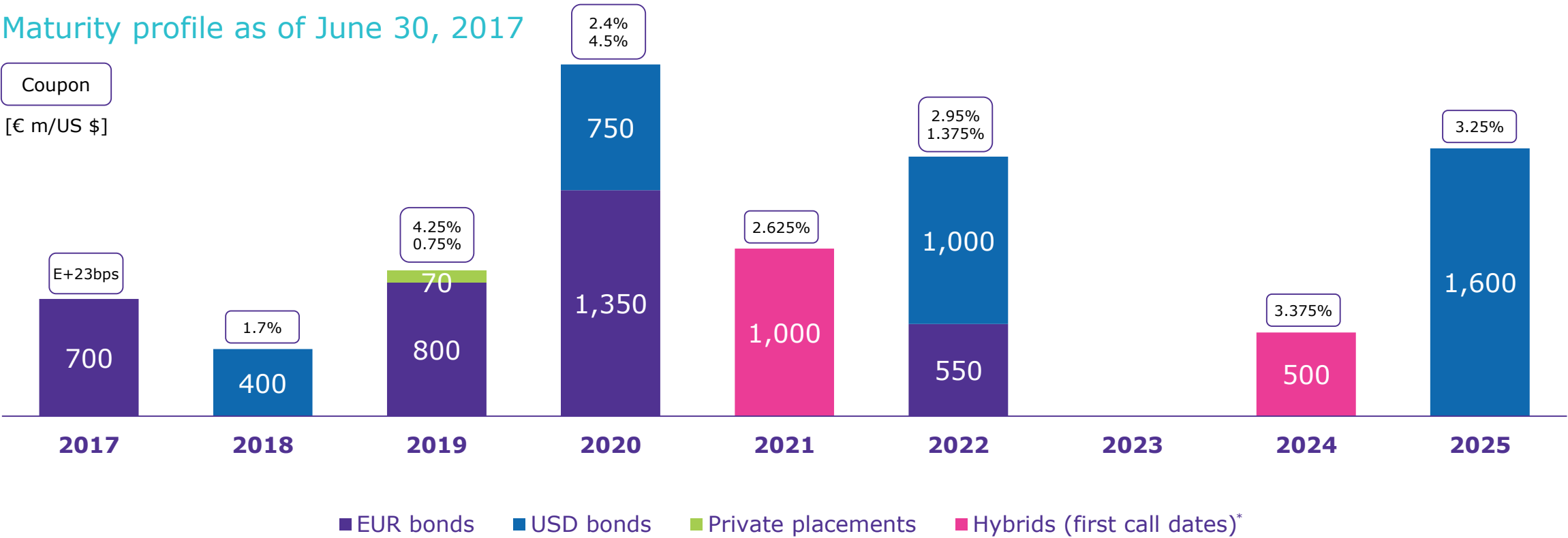
[Net financial debt/
EBITDA pre]



Focus on deleveraging

- Commitment to swift deleveraging to ensure a strong investment grade credit rating and financial flexibility
- Strong cash flow will be used to drive down leverage to expected <2x net debt/EBITDA pre in 2018
- Larger acquisitions (>€500 m) ruled out for the next two years (or financed by divestments)

Well-balanced maturity profile reflects capital market transactions related to Sigma-Aldrich



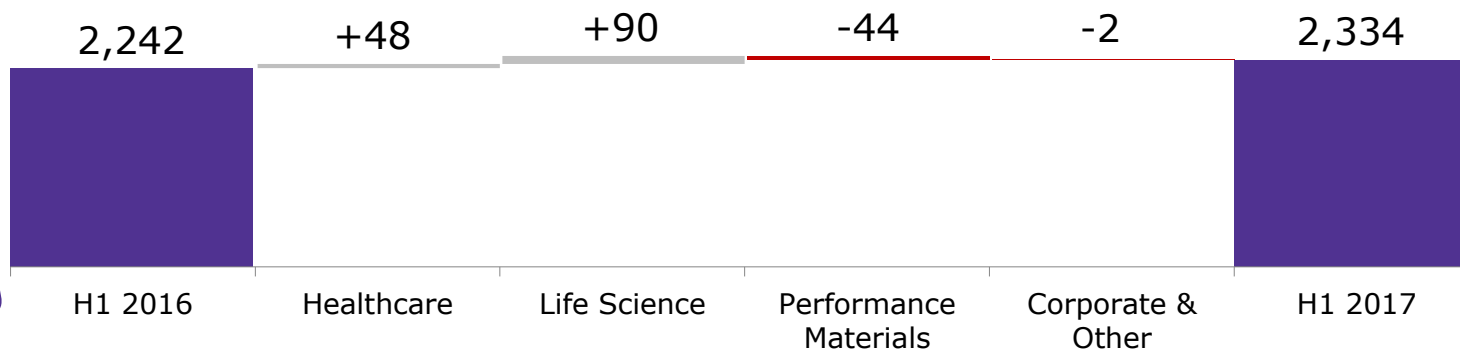
Financing structure enables flexible and swift deleveraging

Life Science and Healthcare drive growth and profitability

H1 2017 YoY net sales

	Organic	Currency	Portfolio	Total
Healthcare	3.5%	1.0%	-1.0%	3.5%
Life Science	3.7%	1.2%	0.3%	5.3%
Performance Materials	-2.0%	3.2%	0.0%	1.1%
Merck Group	2.7%	1.5%	-0.3%	3.8%

H1 YoY EBITDA pre contributors [€ m]



- Healthcare reflects strong growth in General Medicine, especially Glucophage in China
- Organic performance in Life Science driven by all business units
- Performance Materials organically lower as market share normalization in LC outweighs growth of other businesses
- HC benefits from organic growth, approval milestones and royalty swap (~€100 m) outweighing higher M&S and R&D costs
- Life Science driven by organic growth and ongoing synergy realization
- Performance Materials burdened by negative business mix & usual price declines
- Corporate EBITDA pre contains hedging and investments in corporate initiatives

H1 2017: Overview

Key figures

[€m]	H1 2016	H1 2017	Δ
Net sales	7,470	7,752	3.8%
EBITDA pre	2,242	2,334	4.1%
Margin (in % of net sales)	30.0%	30.1%	
EPS pre	3.09	3.34	8.1%
Operating cash flow	663	1,297	95.5%

[€m]	Dec. 31, 2016	Jun. 30, 2017	Δ
Net financial debt	11,513	11,248	-2.3%
Working capital	3,486	3,775	8.3%
Employees	50,414	52,233	3.6%

Comments

- EBITDA pre increase driven by royalty income swap, synergies and organic performance
- EPS pre increases due to higher EBITDA pre and improved financial result
- Strong increase in operating cash flow mainly driven by high tax burden LY
- Net financial debt reflects operating cash flow versus dividend payment
- Working capital reflects increased receivables mainly due to Glucophage repatriation
- Higher headcount due to investments in growth markets and takeover of temporary workers

Reported figures reflect solid business performance amid exceptionals

Reported results

[€m]	H1 2016	H1 2017	Δ
EBIT	1,399	1,382	-1.2%
Financial result	-190	-142	-25.3%
Profit before tax	1,209	1,241	2.6%
Income tax	-302	-295	-2.5%
<i>Effective tax rate (%)</i>	25.0%	23.7%	
Net income	903	943	4.4%
EPS (€)	2.08	2.17	4.3%

Comments

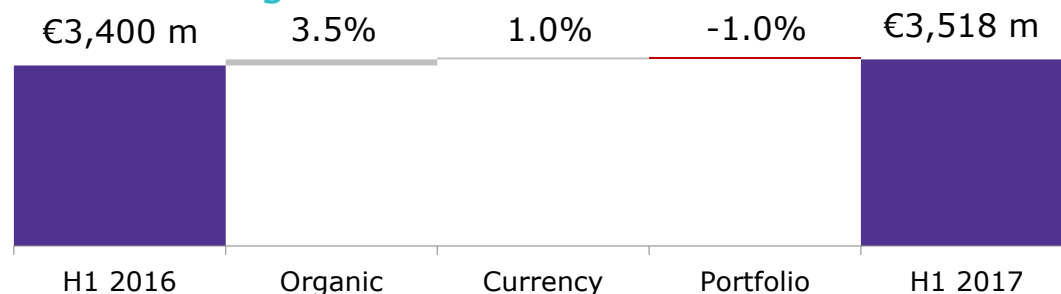
- EBIT reflects increased EBITDA pre and lower integration costs; LY included Kuvan disposal gain
- Improved financial result reflects deleveraging; LY negatively impacted by LTIP* effect
- Effective tax rate within guidance range of ~23% to 25%

Healthcare: Royalty swap and milestone payments drive profitability

Healthcare P&L

[€m]	H1 2016	H1 2017
Net sales	3,400	3,518
Marketing and selling	-1,256	-1,367
Administration	-137	-154
Research and development	-756	-765
EBIT	939	794
EBITDA	1,387	1,095
EBITDA pre	1,065	1,113
Margin (in % of net sales)	31.3%	31.6%

Net sales bridge

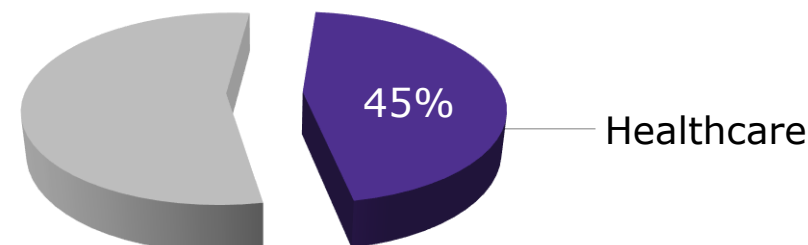


*Productive Development Partnership
Totals may not add up due to rounding

Comments

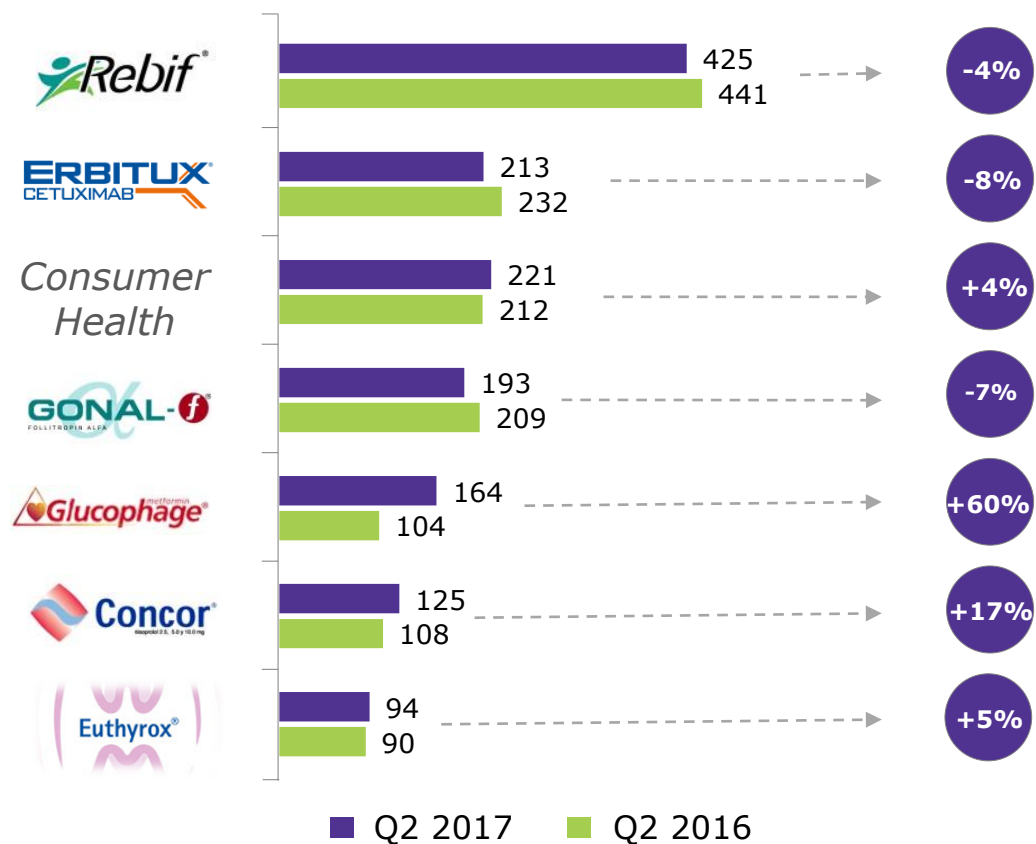
- Rebif still impacted by competition in U.S. & EU, while U.S. pricing and Q2 inventory stocking as well as PDP* in Brazil support performance
- Erbitux shows slight organic decline - volume increase in growth markets outweighed by competition and price reductions in Europe
- Marketing & selling reflects investments for launches and costs for Glucophage repatriation in China
- R&D spend slightly higher, expected ramp-up in H2
- EBIT reflects Kuvan disposal gain of €324 m in Q1 2016
- Profitability benefits from royalty swap, Bavencio approval milestones and organic performance outweighing investments in M&S and R&D

H1 2017 share of group net sales

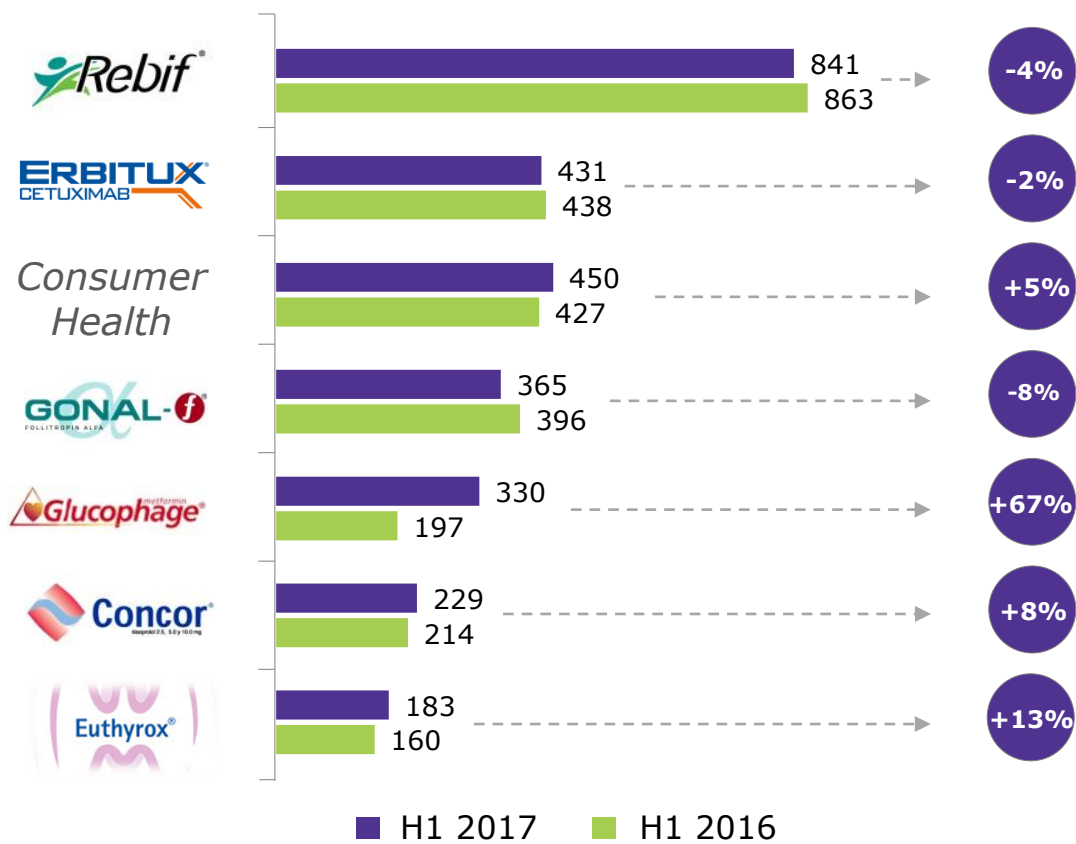


Healthcare organic growth by franchise/product

Q2 2017 organic sales growth [%]
by key product [€ m]



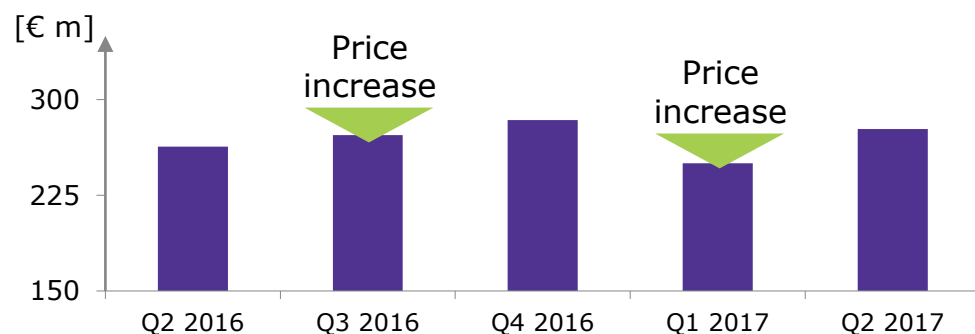
H1 2017 organic sales growth [%]
by key product [€ m]



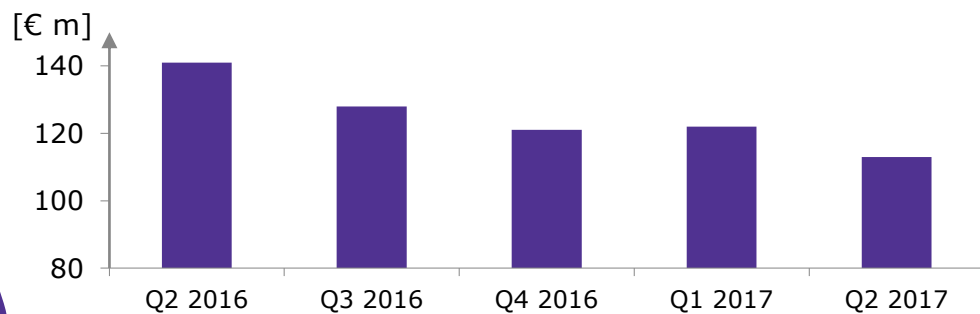
Rebif: Relief in the U.S. – competitive ramp-up in Europe ongoing

Rebif sales evolution

North America



Europe



Q2 drivers
4.4% org.

- Price
- Volume
- FX

Q2 drivers
-18.7% org.

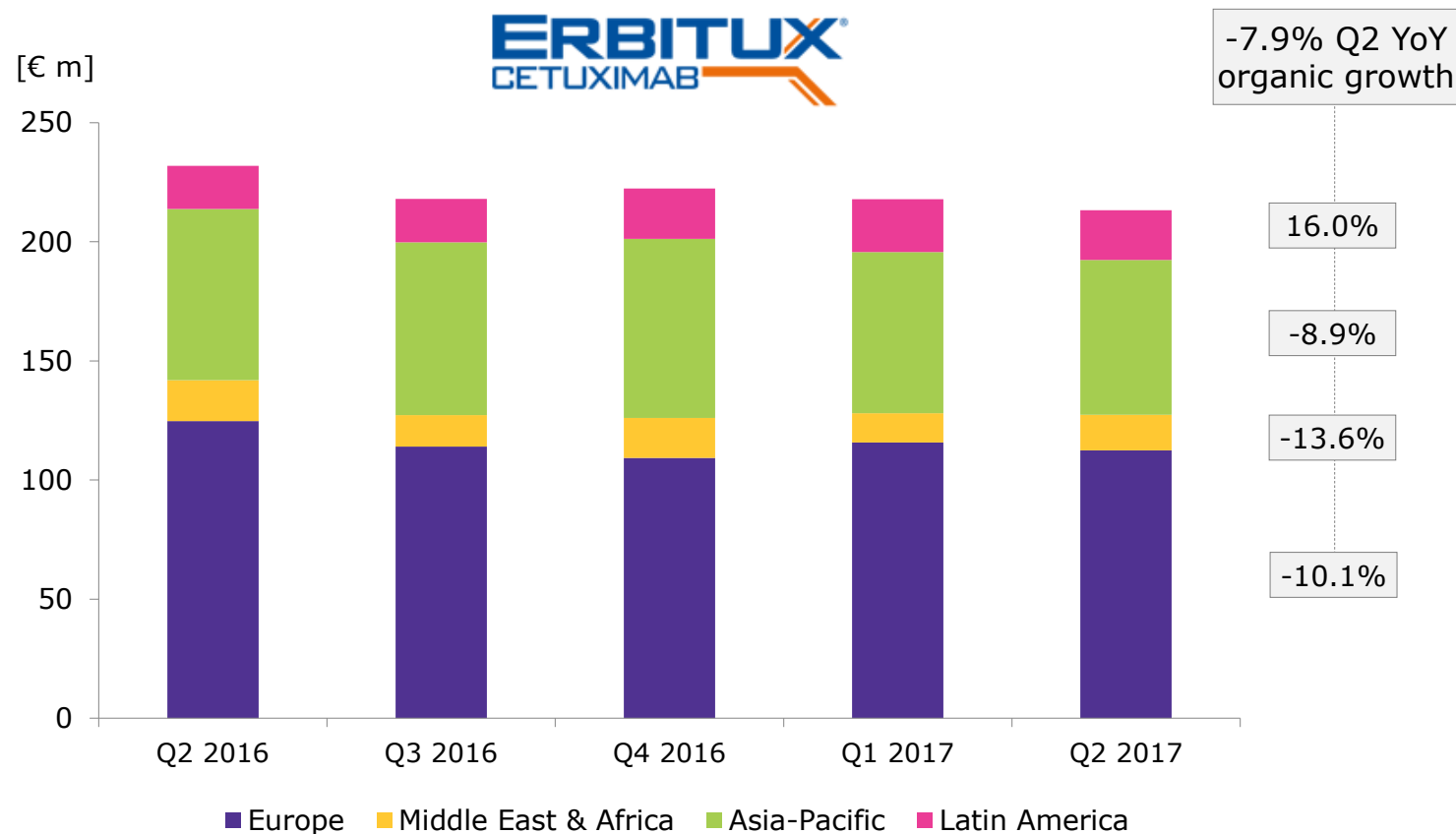
- Price
- Volume

Q2 2017 Rebif performance

- Rebif sales of €425m in Q2 2017 reflect organic decline, while FX is almost neutral
- U.S. price increases and wholesaler inventory stocking outweigh competition-driven U.S. volume erosion
- Market shares within interferons stable due to high retention rates and known long-term track record
- Phased market entry of orals in Europe as well as tender phasing in Russia cause ongoing organic decline

Erbitux: A challenging market environment

Erbitux sales by region



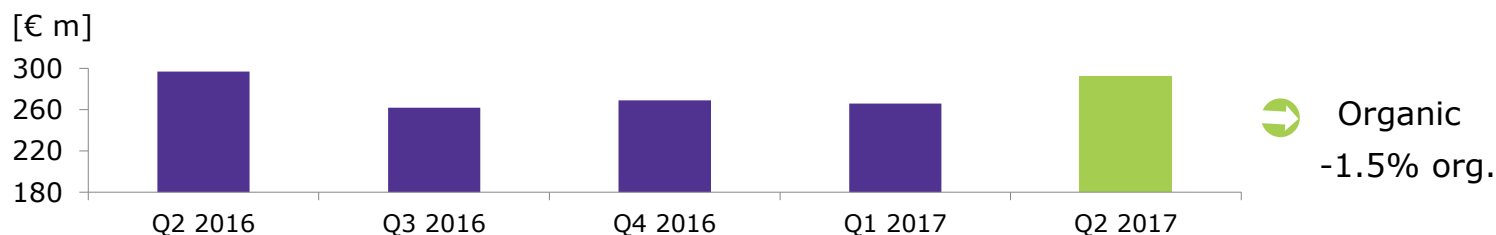
Q2 2017 Erbitux performance

- Sales decline organically to €213 m comparing to strong base LY
- Europe impacted by competition, price reductions and shrinking market size due to increasing immuno-oncology trials
- APAC lower as healthy organic growth in China is more than offset by inventory destocking in Japan
- LATAM strong, while MEA affected by tender phasing from Q1 2017

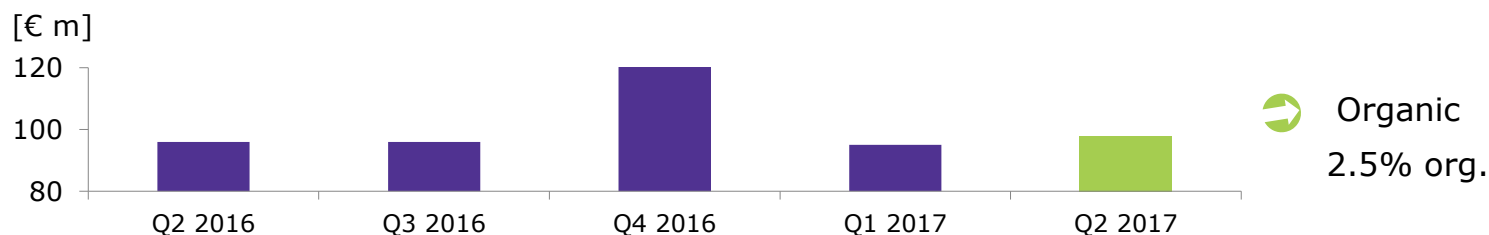
Strong organic growth of General Medicine driven by all major products

Sales evolution

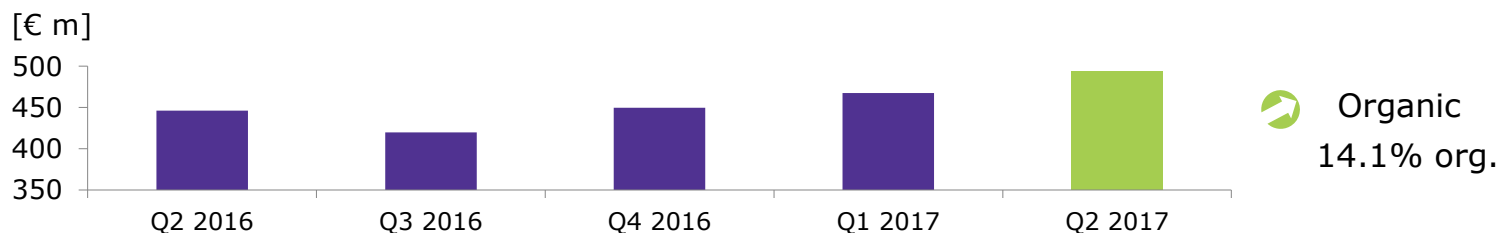
Fertility



Endocrinology



General Medicine*



Q2 2017 organic drivers

- Fertility slightly lower, mainly due to Gonal-f facing high base LY and ongoing competition from biosimilars in Europe
- LY Gonal-f benefited from favorable competitive situation in the U.S.
- Rest of Fertility portfolio continues to perform well across most regions
- Endocrinology growth supported by release of accruals for rebates in U.S.
- General Medicine benefits from Glucophage repatriation in China
- Concor with strong volume increase especially in growth markets

Merck pipeline

Phase I

M2698 – p70S6K & Akt inhibitor
Solid tumors

M3814 – DNA-PK inhibitor
Solid tumors

M9831 (VX-984) – DNA-PK inhibitor
Solid tumors

M6620 (VX-970) – ATR inhibitor
Solid tumors

M4344 (VX-803) – ATR inhibitor
Solid tumors

M7583 – BTK inhibitor
Hematological malignancies

Avelumab – Anti-PD-L1 mAb
Solid tumors

Avelumab – Anti-PD-L1 mAb
Hematological malignancies

M9241 (NHS-IL12)⁶
Cancer immunotherapy
Solid tumors

M7824 - anti-PD-L1/TGF-beta trap
Solid tumors

M1095⁸ (ALX-0761)
Anti-IL-17 A/F nanobody
Psoriasis

Phase II

Tepotinib
c-Met kinase inhibitor
Non-small cell lung cancer

Tepotinib
c-Met kinase inhibitor
Hepatocellular cancer

Avelumab – Anti-PD-L1 mAb
Merkel cell carcinoma 1L¹

Sprifermin
Fibroblast growth factor 18
Osteoarthritis

Atacicept
Anti-Blys/anti-APRIL fusion protein
Systemic lupus erythematosus

Atacicept
Anti-Blys/anti-APRIL fusion protein
IgA nephropathy

Abituzumab
anti-CD 51 mAb
Systemic sclerosis with interstitial lung disease

Evobrutinib
BTK inhibitor
Rheumatoid arthritis

Evobrutinib
BTK inhibitor
Systemic lupus erythematosus

Evobrutinib
BTK inhibitor
Multiple sclerosis

Phase III

Avelumab – Anti-PD-L1 mAb
Non-small cell lung cancer 1L¹

Avelumab – Anti-PD-L1 mAb
Non-small cell lung cancer 2L²

Avelumab – Anti-PD-L1 mAb
Gastric cancer 1L^{1M}

Avelumab – Anti-PD-L1 mAb
Gastric cancer 3L³

Avelumab – Anti-PD-L1 mAb
Urothelial cancer 1L^{1M}

Avelumab – Anti-PD-L1 mAb
Ovarian cancer platinum resistant/refractory

Avelumab – Anti-PD-L1 mAb
Ovarian cancer 1L¹

Avelumab – Anti-PD-L1 mAb
Renal cell cancer 1L¹

Avelumab – Anti-PD-L1 mAb
Locally advanced head and neck cancer

MSB11022⁷
Proposed biosimilar of Adalimumab
Chronic plaque psoriasis

Registration

Cladribine⁴ Tablets –
Lymphocyte targeting agent
Relapsing-remitting multiple sclerosis

Avelumab⁵ – Anti-PD-L1 mAb
Merkel cell carcinoma

- Neurology
- Oncology
- Immunology
- Immuno-Oncology
- Biosimilars

Pipeline as of July 28th, 2017

Pipeline products are under clinical investigation and have not been proven to be safe and effective. There is no guarantee any product will be approved in the sought-after indication.

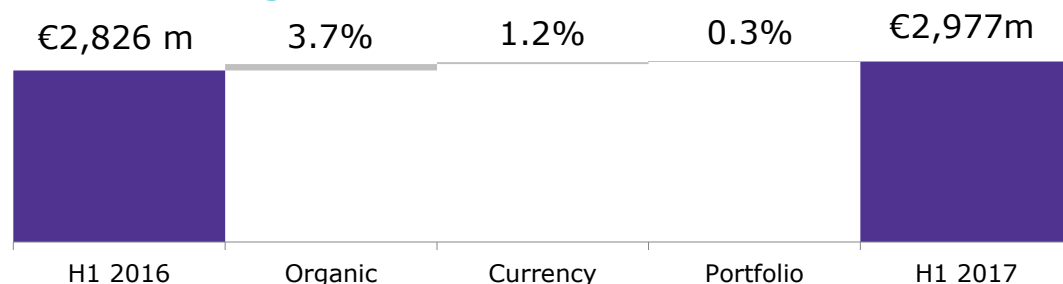
¹ 1st line treatment; ^{1M} First Line maintenance treatment; ² 2nd line treatment; ³ 3rd line treatment; ⁴ European Medicines Agency (EMA) accepted Merck's Marketing Authorization Application (MAA) in July 2016; ⁵ EMA accepted Merck's MMA in July 2016 and on March 23, 2017, the US FDA has approved avelumab for the treatment of adults and pediatric patients 12 years and older; ⁶ Sponsored by the National Cancer Institute (USA); ⁷ On April 24, 2017 the divestment of Merck's Biosimilars business to Fresenius was announced, closing is expected in H2 2017, subject to regulatory approvals and other conditions; ⁸ As announced on March 30, 2017 in a agreement with Avillion, anti-IL-17 A/F nanobody will be developed by Avillion for plaque psoriasis and commercialized by Merck

Life Science: Ongoing synergy realization drives margin progression

Life Science P&L

[€m]	H1 2016	H1 2017
Net sales	2,826	2,977
Marketing and selling	-833	-891
Administration	-121	-135
Research and development	-126	-129
EBIT	271	457
EBITDA	627	841
EBITDA pre	810	900
Margin (in % of net sales)	28.6%	30.2%

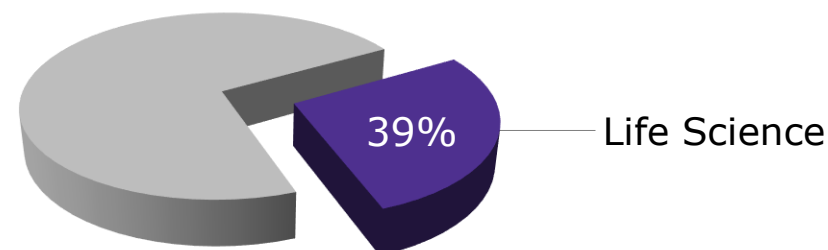
Net sales bridge



Comments

- Process Solutions benefits from robust demand for single-use, services & virus removal, against tough comps & soft start at some larger accounts
- Applied Solutions shows solid organic growth, fueled by robust demand for food & beverage and analytical testing as well as lab water platform
- Research Solutions posts slight organic growth driven by China across portfolio and offsetting soft academia market in the U.S. and Europe
- Marketing & selling increase in line with sales progression
- H1 2016 EBIT affected by inventory step-up for Sigma-Aldrich
- Profitability reflects ongoing synergy realization and organic growth

H1 2017 share of group net sales

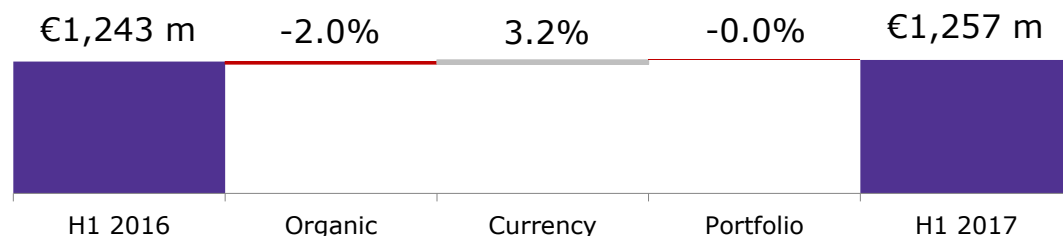


Performance Materials: Liquid Crystals sales decline burdens profitability

Performance Materials P&L

[€m]	H1 2016	H1 2017
Net sales	1,243	1,257
Marketing and selling	-116	-126
Administration	-31	-36
Research and development	-101	-116
EBIT	399	362
EBITDA	534	487
EBITDA pre	547	503
Margin (in % of net sales)	44.0%	40.0%

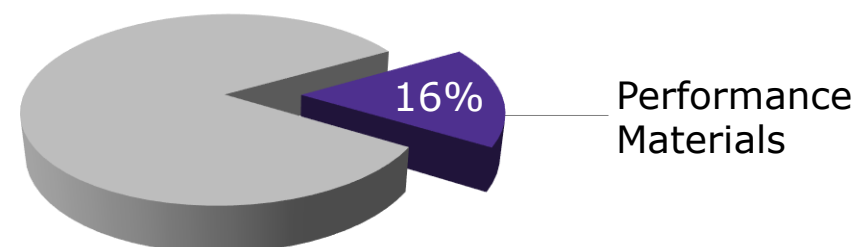
Net sales bridge



Comments

- Organic growth of Integrated Circuit Materials, Pigments and OLED cannot offset Liquid Crystal sales decline
- Ongoing LC market share normalization drives sales decline
- OLED continues to grow on industry capacity expansion & investments
- Strong growth of Integrated Circuit Materials driven by all major material classes, esp. strong dielectrics demand for complex chips
- Healthy growth of Pigments due to solid demand for decorative pigments especially in automotive applications; active cosmetics with tough comps
- Profitability reflects lower share of LC resulting in negative business mix as well as higher R&D for future growth projects

H1 2017 share of group net sales



Healthy operating cash flow reflects royalty swap and tax effects

H1 2016 – cash flow statement

[€m]	H1 2016	H1 2017	Δ
Profit after tax	907	946	39
D&A	952	828	-124
Changes in provisions	-46	72	118
Changes in other assets/liabilities	-431	-200	231
Other operating activities	-422	-22	400
Changes in working capital	-296	-328	-34
Operating cash flow	663	1,297	634
Investing cash flow	170	-704	-874
thereof Capex on PPE	-285	-372	-87
Financing cash flow	-930	-474	456

Cash flow drivers

- LY profit after tax includes gain from Kuvan disposal, which is neutralized in other operating activities
- D&A reduction reflects write-up of Vevey site (~ -€70 m) and Xalkori impairment (~ €70 m) LY
- Changes in other assets/liabilities driven by positive tax effects
- Investing cash flow contains Vertex and F-star licensing deals as well as increased Capex; LY included Kuvan disposal
- Financing cash flow reflects repayment of USD250 m bond in Q1 2017; LY with higher redemption of debt

Exceptionals in Q2 2017

Exceptionals in EBIT

[€m]	Q2 2016		Q2 2017	
	Exceptionals	thereof D&A	Exceptionals	thereof D&A
Healthcare	70	71	-53	-68
Life Science	74	0	46	3
Performance Materials	7	0	16	7
Corporate & Other	10	0	16	-3
Total	160	71	25	-61

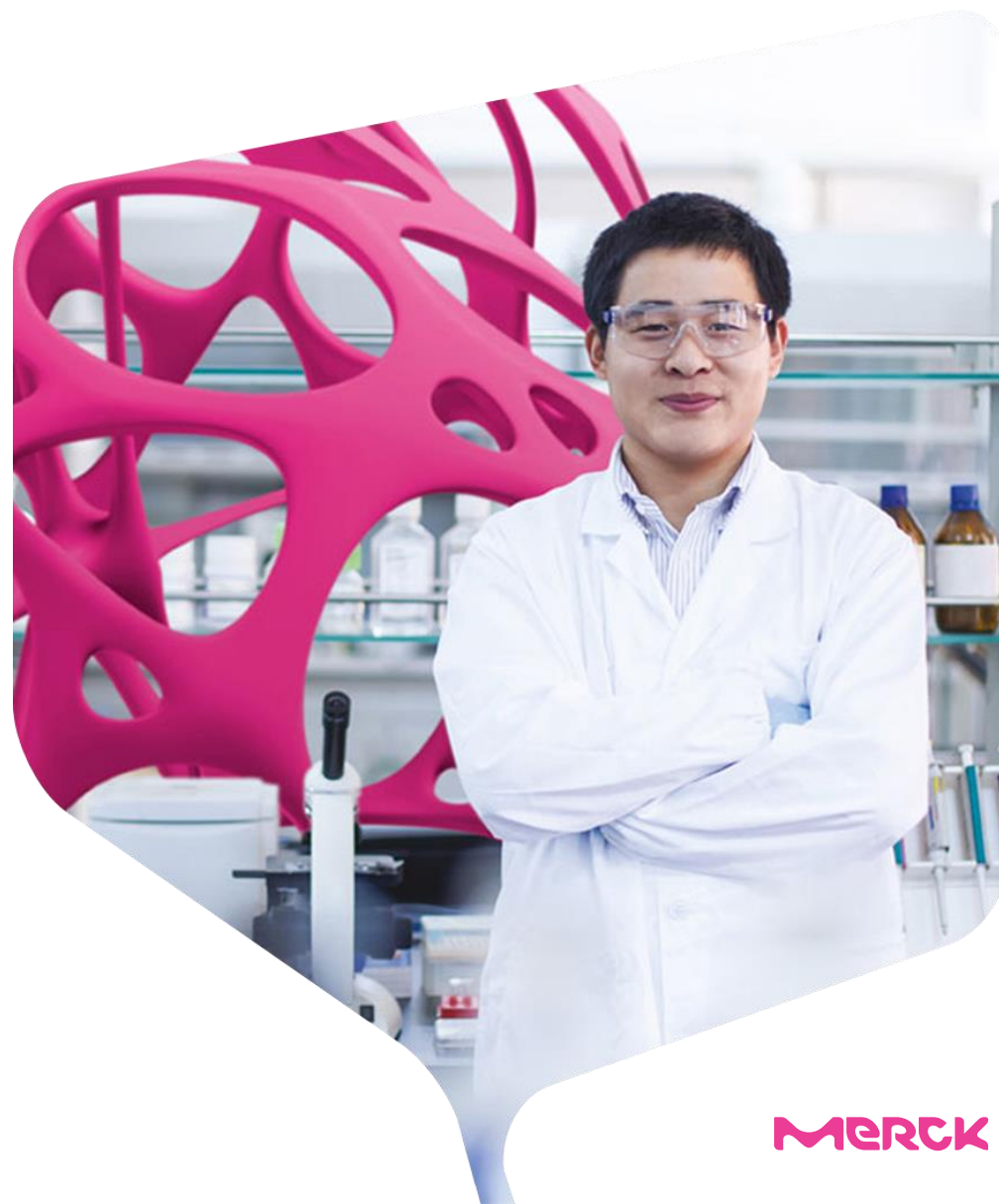
Exceptionals in H1 2017

Exceptionals in EBIT

[€m]	H1 2016		H1 2017	
	Exceptionals	thereof D&A	Exceptionals	thereof D&A
Healthcare	-251	71	-49	-67
Life Science	183	0	62	3
Performance Materials	13	0	23	7
Corporate & Other	17	0	31	0
Total	-38	71	66	-57

Financial calendar

Date	Event
November 9, 2017	Q3 2017 Earnings release
March 8, 2018	Q4 2017 Earnings release
April 27, 2018	Annual General Meeting
May 15, 2018	Q1 2018 Earnings release



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