



FOCUS ON DELIVERY

Merck Q3 2017 results

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MERCK

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This communication may include “forward-looking statements.” Statements that include words such as “anticipate,” “expect,” “should,” “would,” “intend,” “plan,” “project,” “seek,” “believe,” “will,” and other words of similar meaning in connection with future events or future operating or financial performance are often used to identify forward-looking statements. All statements in this communication, other than those relating to historical information or current conditions, are forward-looking statements. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond control of Merck KGaA, Darmstadt, Germany, which could cause actual results to differ materially from such statements.

Risks and uncertainties include, but are not limited to: the risks of more restrictive regulatory requirements regarding drug pricing, reimbursement and approval; the risk of stricter regulations for the manufacture, testing and marketing of products; the risk of destabilization of political systems and the establishment of trade barriers; the risk of a changing marketing environment for multiple sclerosis products in the European Union; the risk of greater competitive pressure due to biosimilars; the risks of research and development; the risks of discontinuing development projects and regulatory approval of developed medicines; the risk of a temporary ban on products/production facilities or of non-registration of products due to non-compliance with quality standards; the risk of an import ban on products to the United States due to an FDA warning letter; the risks of dependency on suppliers; risks due to product-related crime and espionage; risks in relation to the use of financial instruments; liquidity risks; counterparty risks; market risks; risks of impairment on balance sheet items; risks from pension obligations; risks from product-related and patent law disputes; risks from antitrust law proceedings; risks from drug pricing by the divested Generics Group; risks in human resources; risks from e-crime and cyber attacks; risks due to failure of business-critical information technology applications or to failure of data center capacity; environmental and safety risks; unanticipated contract or regulatory issues; a potential downgrade in the rating of the indebtedness of Merck KGaA, Darmstadt, Germany; downward pressure on the common stock price of Merck KGaA, Darmstadt, Germany and its impact on goodwill impairment evaluations; the impact of future regulatory or legislative actions; and the risks and uncertainties detailed by Sigma-Aldrich Corporation (“Sigma-Aldrich”) with respect to its business as described in its reports and documents filed with the U.S. Securities and Exchange Commission (the “SEC”).

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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 Guidance



01

EXECUTIVE SUMMARY

Highlights

Operations

- ▶ Healthcare – pipeline progressing; initial launches of Mavenclad & Bavencio in Europe
- ▶ Life Science – solid organic growth amid unfavorable mix effect from softer key accounts
- ▶ Performance Materials – strong growth of non-LC businesses; LC normalization continues

Financials

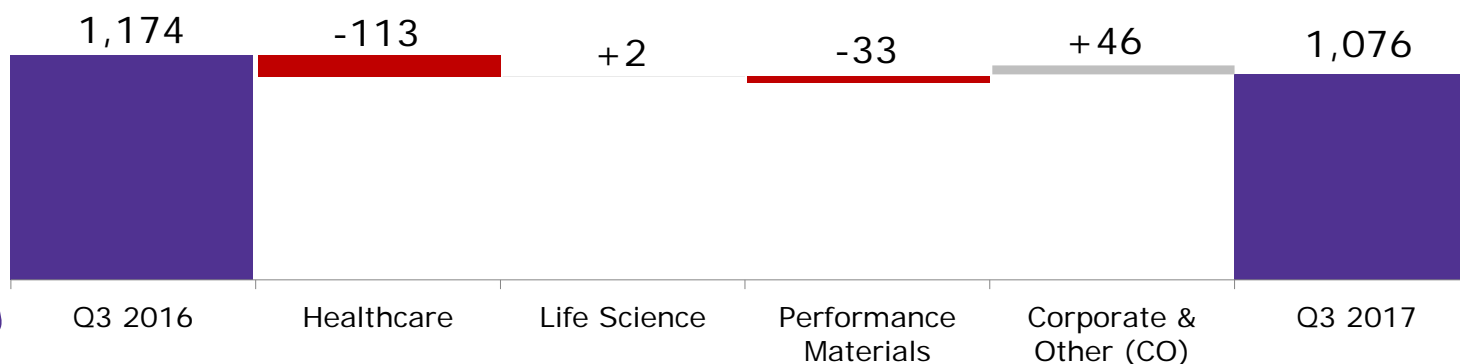
- ▶ Organic sales growth of 4.2%; EBITDA pre down 8.3% to €1,076 m
- ▶ Deleveraging on track, net debt/EBITDA pre reduced to 2.3x
- ▶ EBITDA pre guidance confirmed despite FX headwinds

Investments in Healthcare and softness in Liquid Crystals burden EBITDA pre

Q3 2017 YoY net sales

	Organic	Currency	Portfolio	Total
Healthcare	5.8%	-3.4%	-1.2%	1.2%
Life Science	4.8%	-3.9%	0.4%	1.3%
Performance Materials	-1.5%	-3.8%	0.0%	-5.3%
Merck Group	4.2%	-3.7%	-0.4%	0.1%

Q3 YoY EBITDA pre contributors [€ m]

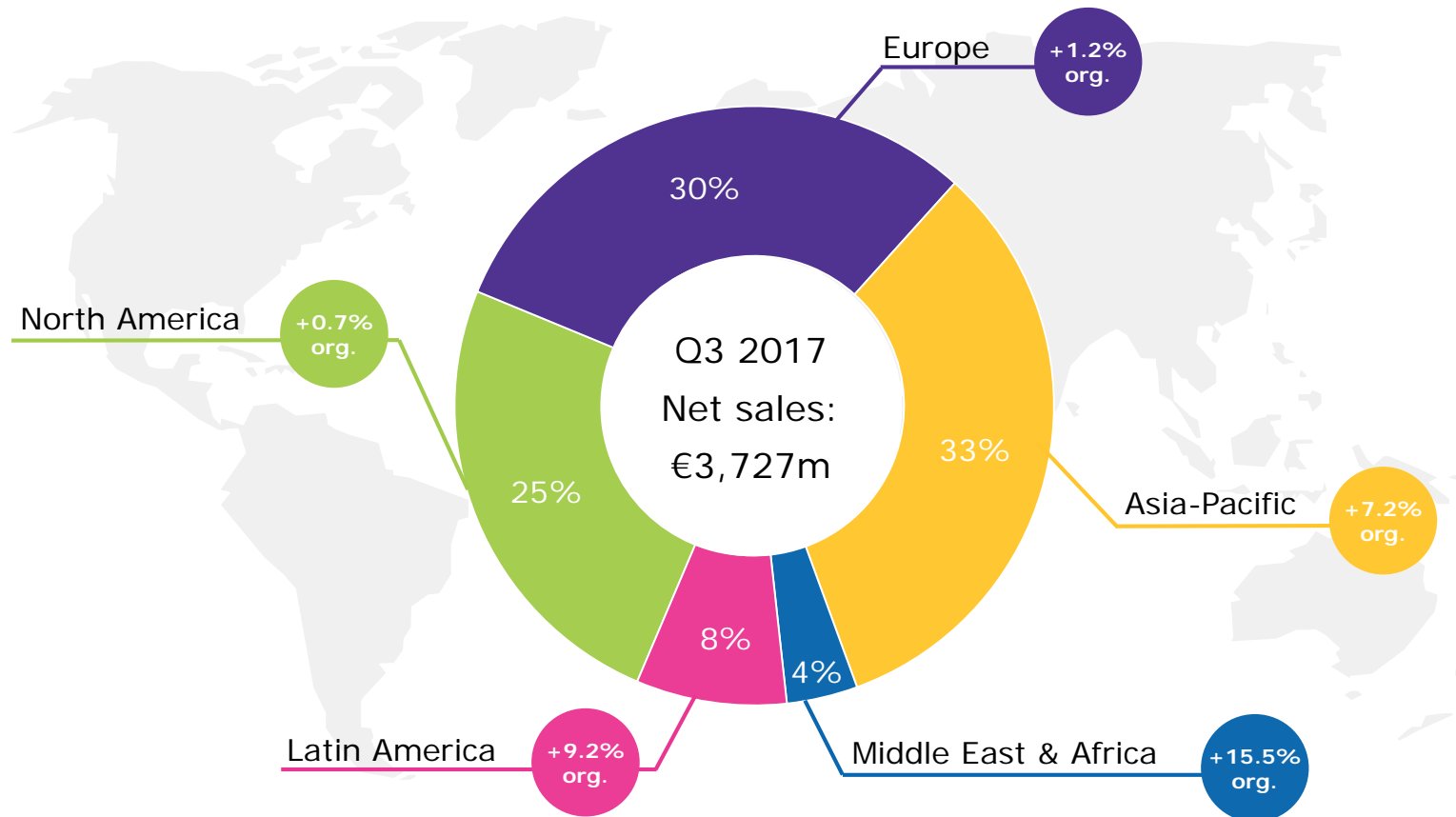


¹Integrated Circuit Materials; ²Long Term Incentive Plan
Totals may not add up due to rounding

- Healthcare reflects strong growth in General Medicine, Consumer Health and Fertility
- Solid organic growth in Life Science driven by all businesses
- Organic growth of ICM¹, Pigments and OLED is outweighed by ongoing market share normalization in Liquid Crystals
- FX headwinds across all businesses
- Healthcare contains investments in M&S and R&D, partially offset by milestone payments for Bavencio
- Life Science reflects organic growth offset by negative business mix and FX
- Performance Materials lower due to LC normalization, usual price declines and FX
- CO contains FX hedging gains and LTIP² benefits

Organic growth in all regions

Regional breakdown of net sales [€ m]



Regional organic development

- Growth in Europe reflects solid demand in Life Science, almost offset by competition for Rebif, Erbitux and Gonal-f
- North America benefits from Life Science growth and Bavencio more than offsetting ongoing Rebif decline
- Strong growth in APAC driven by General Medicine, Fertility and Life Science outweighing LC normalization
- Very strong performance in LATAM and MEA across all major businesses



02

FINANCIAL OVERVIEW

Q3 2017: Overview of key figures

Key figures

[€m]	Q3 2016	Q3 2017	Δ
Net sales	3,724	3,727	0.1%
EBITDA pre	1.174	1,076	-8.3%
Margin (in % of net sales)	31.5%	28.9%	
EPS pre	1.70	1.51	-11.2%
Operating cash flow	1,067	758	-29.0%

[€m]	Dec. 31, 2016	Sept. 30, 2017	Δ
Net financial debt	11,513	10,483	-8.9%
Working capital	3,486	3,755	7.7%
Employees	50,414	52,843	4.8%

Comments

- EBITDA pre decline reflects investments in Healthcare and ongoing LC market share normalization
- EPS pre down due to lower EBITDA pre
- Lower operating cash flow driven by lower profit & changes in working capital
- Net financial debt benefits from healthy cash flow and Biosimilars divestment
- Working capital reflects increased receivables in Healthcare, higher inventories in all businesses
- Higher headcount related to growth initiatives in Healthcare and Life Science

Reported figures reflect divestment of Biosimilars business

Reported results

[€m]	Q3 2016	Q3 2017	Δ
EBIT	676	901	33.3%
Financial result	-67	-65	-2.1%
Profit before tax	609	836	37.2%
Income tax	-149	-187	25.6%
<i>Effective tax rate (%)</i>	24.4%	22.4%	
Net income	457	645	41.1%
EPS (€)	1.05	1.48	41.0%

Comments

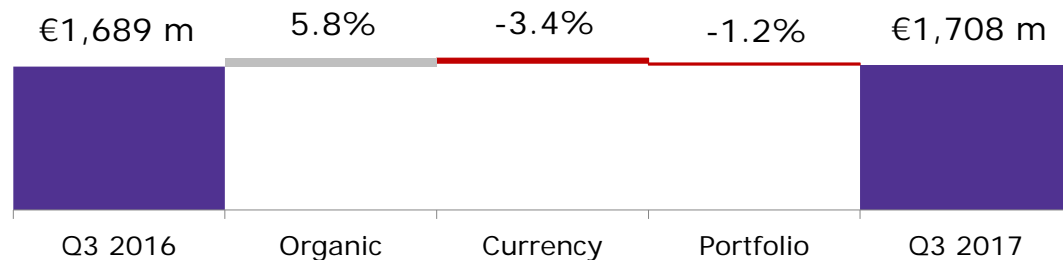
- EBIT up due to Biosimilars divestment, despite lower EBITDA pre
- Lower effective tax rate reflects divestment of Biosimilars business

Healthcare: Investments in future growth weigh on profitability

Healthcare P&L

[€m]	Q3 2016	Q3 2017
Net sales	1,689	1,708
Marketing and selling	-623	-666
Administration	-65	-71
Research and development	-322	-423
EBIT	375	581
EBITDA	560	752
EBITDA pre	565	453
Margin (in % of net sales)	33.5%	26.5%

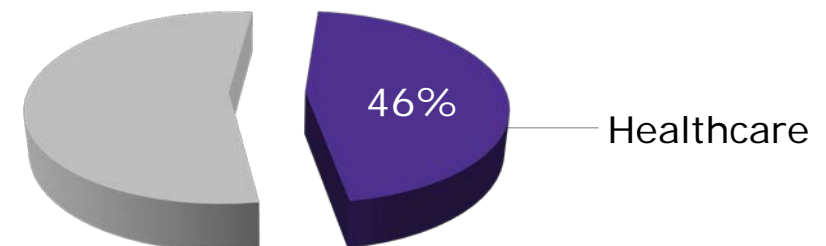
Net sales bridge



Comments

- Rebif declines due to competition in U.S. & EU, partially offset by U.S. pricing
- Organic decline of Erbitux due to competition and price pressure in EU
- Fertility portfolio back to growth, despite Gonal-f still facing tough base LY
- Consumer Health with double-digit growth driven by strategic brands in all growth markets
- Marketing & selling reflects Bavencio and Mavenclad launches
- R&D costs visibly ramping up, LY contained ~€40 m provision releases
- EBITDA pre reflects higher R&D and launch costs, exceeding income from milestone payments for Bavencio and organic growth

Q3 2017 share of group net sales

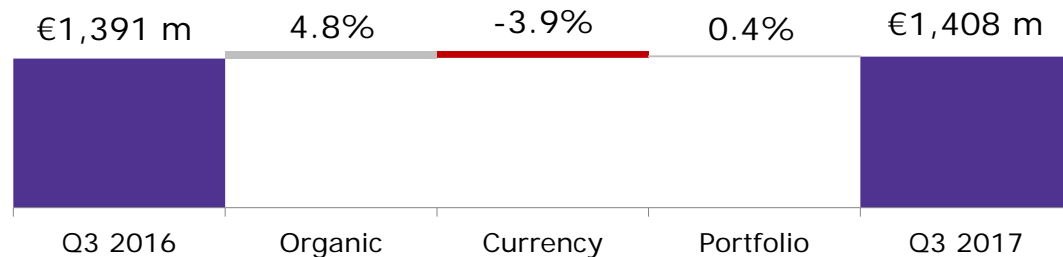


Life Science: Solid organic growth amid negative mix and FX headwinds

Life Science P&L

[€m]	Q3 2016	Q3 2017
Net sales	1,391	1,408
Marketing and selling	-414	-412
Administration	-56	-59
Research and development	-63	-60
EBIT	216	220
EBITDA	399	401
EBITDA pre	424	426
Margin (in % of net sales)	30.5%	30.2%

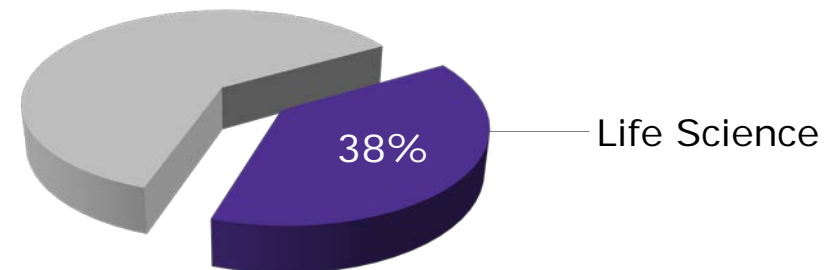
Net sales bridge



Comments

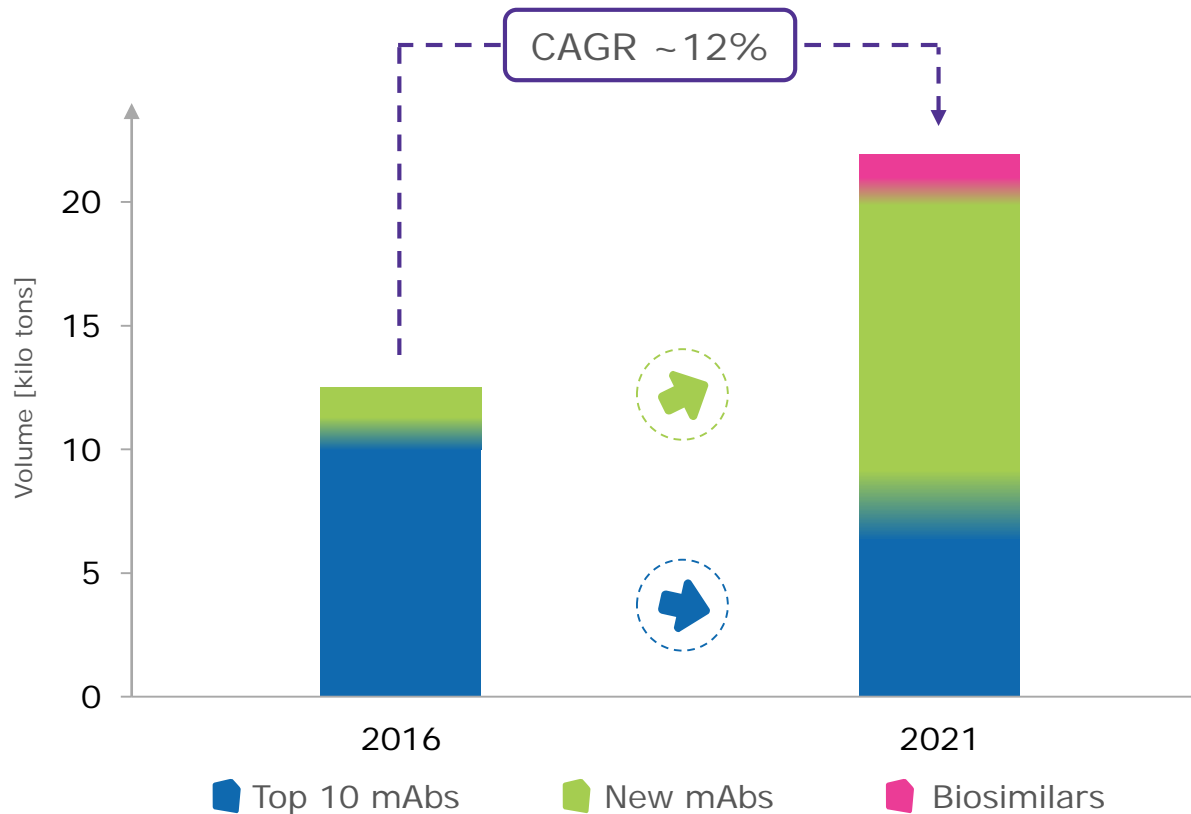
- Process Solutions posts solid organic growth due to strong demand for single-use products & services, while key accounts remain soft
- Applied Solutions shows good organic growth, driven by strong demand in Biomonitoring and Lab Water
- Research Solutions benefits from strong demand for specialty lab chemicals across all regions partially fueled by eCommerce
- Profitability reflects organic growth, offset by negative business mix and FX headwinds

Q3 2017 share of group net sales



Democratization of mAbs market will drive diversification, change, variability

mAb volume projections 2016 to 2021

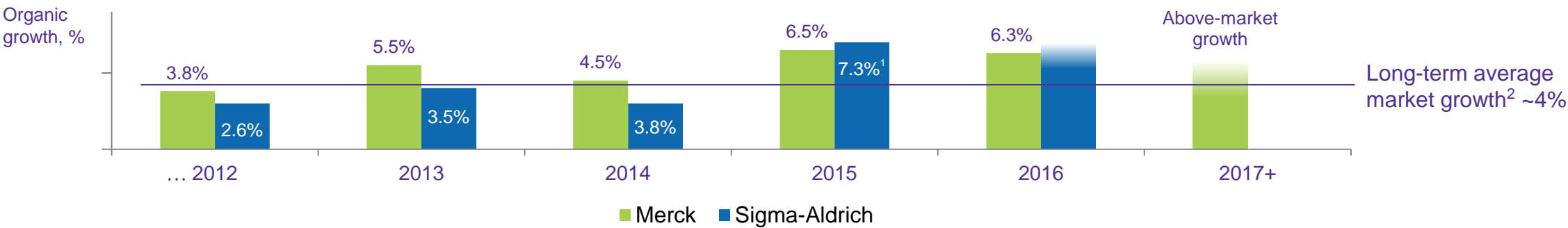


Market development

- Overall mAbs market will grow ~12% CAGR
- Top 10 originator mAbs represent ~80% of market volume
- In 2021 ~90% of the volume will be shared between Top 35 mAbs
- Biosimilars will gain share, but remain a minority mid-term

Performance consistently at or above market during integration

Merck and Sigma-Aldrich organic growth rates versus market growth



Q3 2017 EBITDA pre margins versus peers²



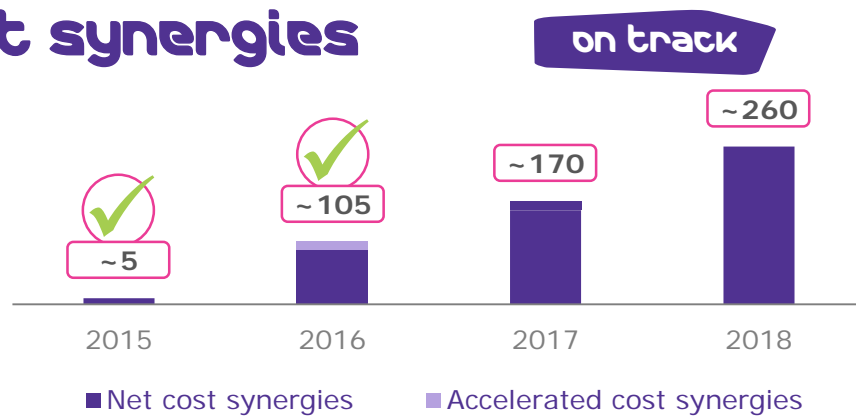
Industry leading
Margins

¹Growth for 9M 2015 (organic growth of \$152 m on prior 9M 2014 sales of \$2,080 m); ²Source: Merck market intelligence and broker research; ³Excluding corporate costs; including proportionate corporate costs EBITDA pre margin would be ~ 27-28%

Integration of Sigma and synergy generation progressing well

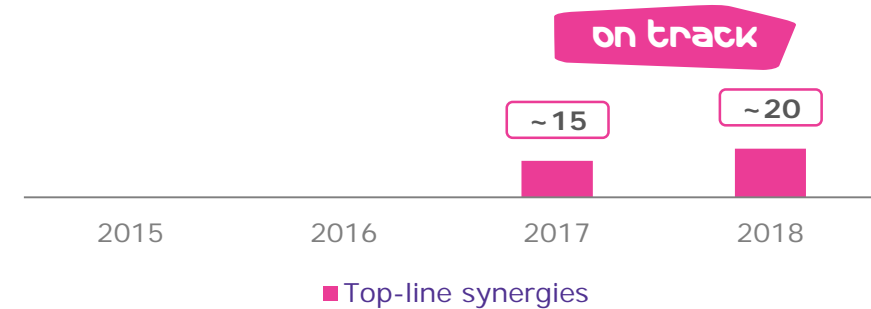
on track to deliver planned synergies of ~ €280 M until 2018

cost synergies



- **Network consolidation and operational transformation ongoing**
 - Consolidated 10 manufacturing and distribution sites
 - Announced consolidation of 5 further sites
- **Combination of customer service centers and offshoring of transactional tasks**

topline synergies



- **Continued integration of sigmaaldrich.com**
 - ~80% of relevant products in U.S. and EU are available online
 - >1/3 of Merck eCommerce orders now contain products from both legacy companies
- **Complete offering in Process Solutions**

Focus on strategic growth initiatives will secure long-term growth

Strategic initiative



END TO END



SINGLE-USE



GENE EDITING &
CELL THERAPY

Ambition

Offer **process development** services with our complete bioprocessing portfolio especially to small biotechs

Establish leadership in the fast-growing **single-use** bioprocessing segment through standardization and capacity expansion

Develop tools for **gene editing** and manufacturing services for **cell therapy**

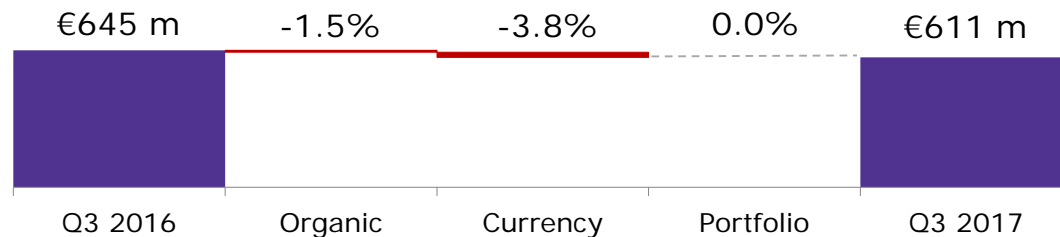
Strategic initiatives are key contributors to €1 bn new product sales ambition in 2022

Performance Materials: LC market share normalization impacts profitability

Performance Materials P&L

[€m]	Q3 2016	Q3 2017
Net sales	645	611
Marketing and selling	-59	-56
Administration	-14	-18
Research and development	-55	-57
EBIT	213	191
EBITDA	274	246
EBITDA pre	282	249
Margin (in % of net sales)	43.7%	40.7%

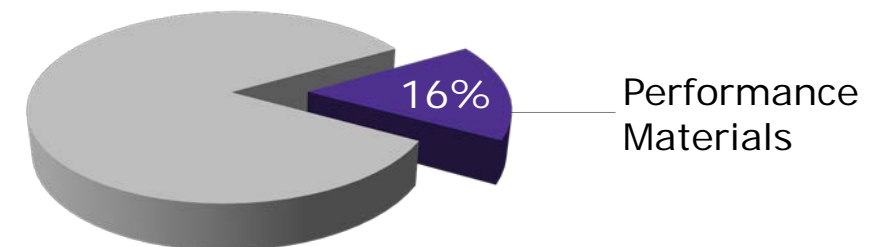
Net sales bridge



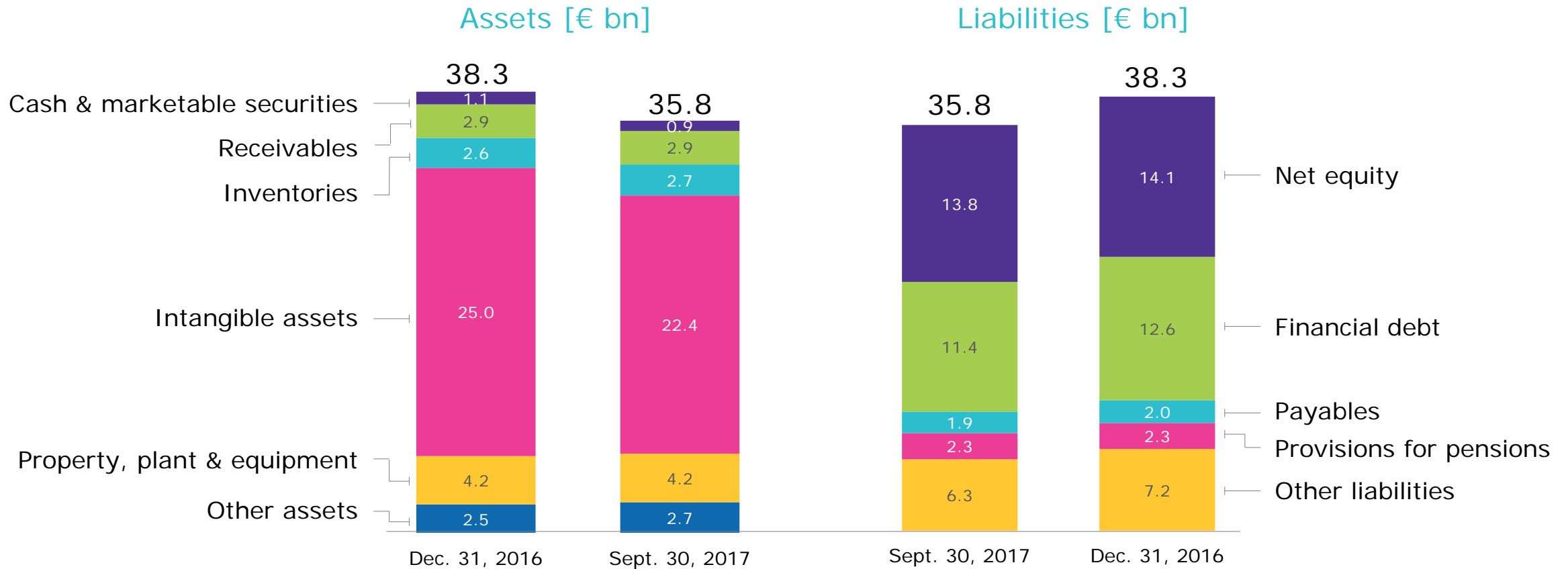
Comments

- Organic growth of Integrated Circuit Materials, Pigments and OLED not fully offsetting Liquid Crystals market share normalization
- Liquid Crystals facing usual price reductions without volume growth, only innovative UB-FFS technology continues to see strong demand
- OLED continues to grow on industry capacity expansion & investments
- Strong growth in ICM mainly driven by demand for dielectrics
- Growth of Pigments due to strong demand for decorative pigments in cosmetic and coating applications
- Profitability reflects business mix, usual Liquid Crystals price decline & FX

Q3 2017 share of group net sales



Balance sheet: Deleveraging in progress after Sigma acquisition



- Total assets decrease, while equity ratio increases to 38.5%
- Reduction in intangible assets mainly reflects FX (-€2 bn)

- Lower net equity reflects negative FX mitigated by 9M profit
- Lower financial debt due to bond repayments and FX
- Other liabilities decrease driven by profit transfer to E. Merck KG

Cash flow: Strong focus on cash generation

Q3 2017 – cash flow statement

[€m]	Q3 2016	Q3 2017	Δ
Profit after tax	460	649	189
D&A	434	419	-15
Changes in provisions	4	-50	-54
Changes in other assets/liabilities	36	99	63
Other operating activities	1	-328	-329
Changes in working capital	131	-31	-162
Operating cash flow	1,067	758	-309
Investing cash flow	-223	-90	133
thereof Capex on PPE	-171	-197	-26
Financing cash flow	-702	-844	-142

Cash flow drivers

- Profit after tax includes gain from Biosimilars divestment, which is neutralized in other operating activities
- Changes in provisions reflects swing in LTIP provision adjustment
- Changes in working capital include higher receivables from Glucophage repatriation & higher inventories; LY contained factoring
- Investing cash flow contains higher Capex and Biosimilars cash proceeds ~€150 m
- Financing cash flow reflects €700 m euro-bond repayment in September and bank loan reduction LY



03 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

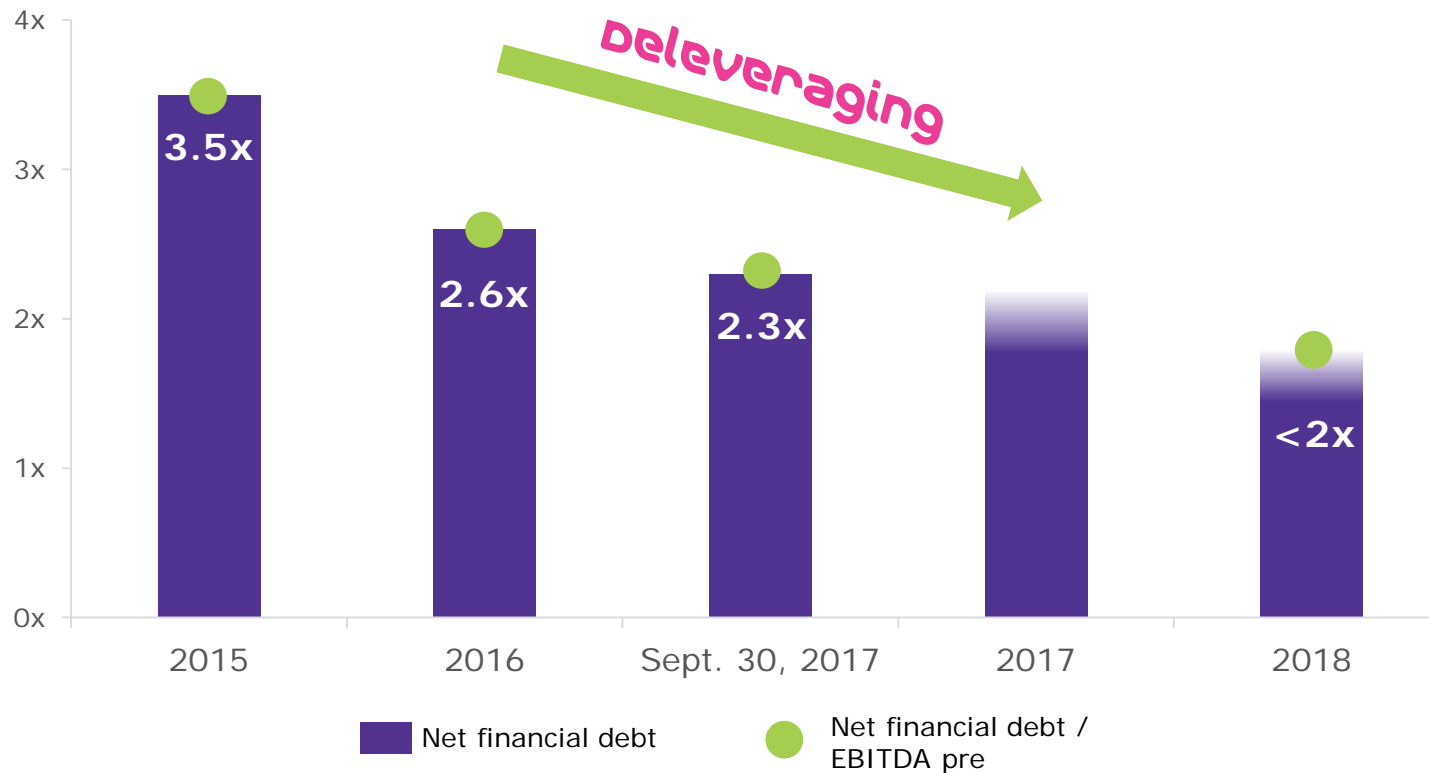
Further financial details

Corporate & Other EBITDA pre	~ -€300– -350 m
Interest result	~ -€250 – -260 m
Effective tax rate	~ 23% to 25%
Capex on PPE	~ €850 – 900 m
Hedging/USD assumption	Q4 2017 - 2018 hedge ratio ~ 60% at EUR/USD ~ 1.17 to 1.19
2017 Ø EUR/USD assumption	~ 1.12 – 1.14

Strong focus on cash generation to ensure swift deleveraging

Net financial debt* and leverage development

[Net financial debt/
EBITDA pre]

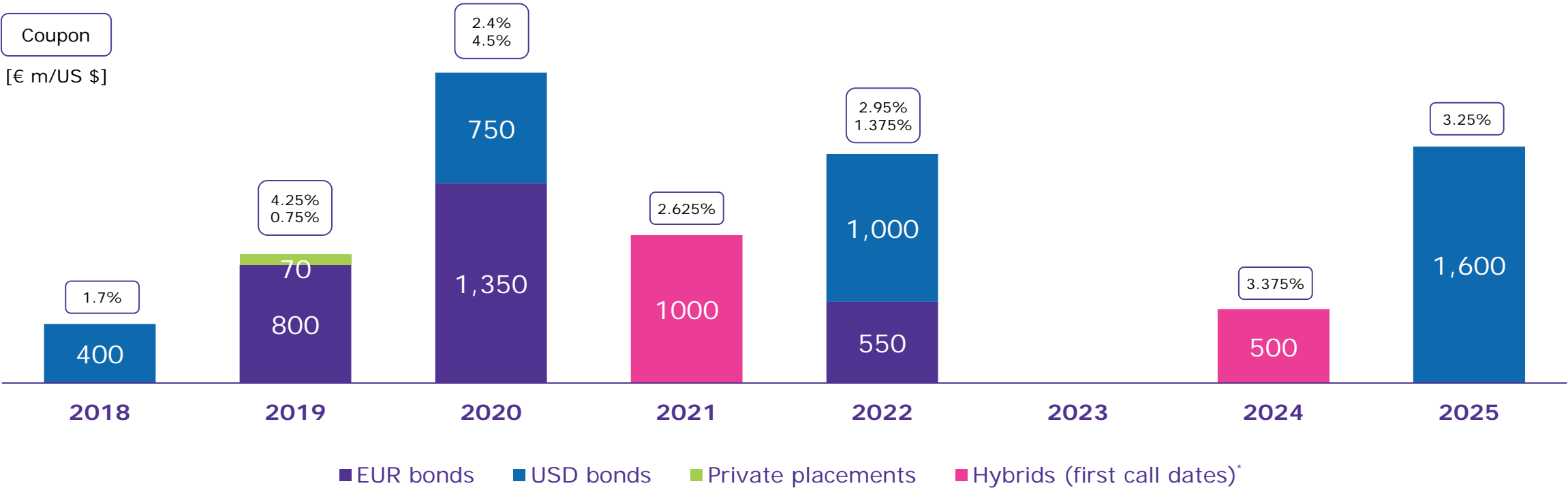


Focus on deleveraging

- 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 Sigma-Aldrich financing transactions

Maturity profile as of Sept. 30, 2017



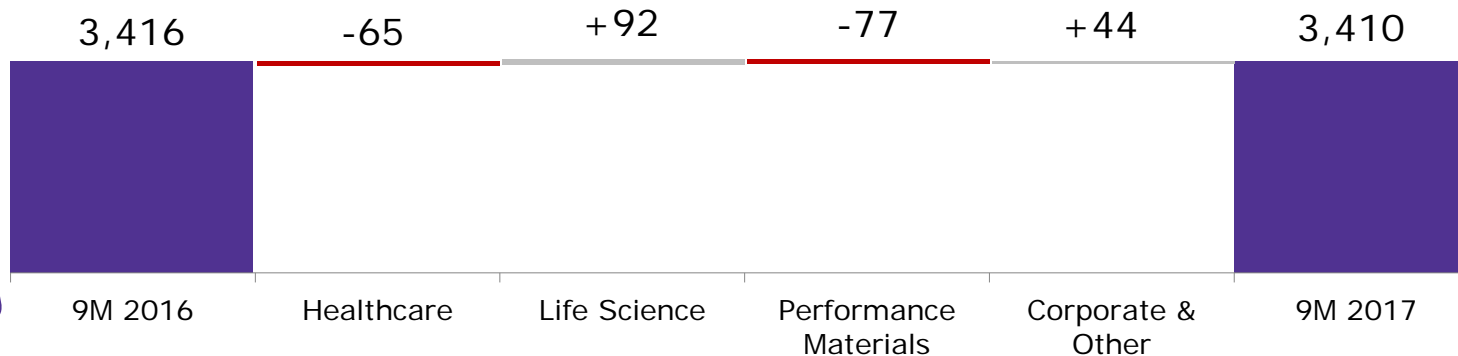
Financing structure enables flexible and swift deleveraging

Life Science and Healthcare drive organic growth

9M 2017 YoY net sales

	Organic	Currency	Portfolio	Total
Healthcare	4.2%	-0.5%	-1.1%	2.7%
Life Science	4.1%	-0.5%	0.4%	4.0%
Performance Materials	-1.8%	0.8%	0.0%	-1.1%
Merck Group	3.2%	-0.2%	-0.4%	2.5%

9M 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 lower due to higher costs for M&S and R&D outweighing organic growth, approval milestones & royalty income swap
- Life Science driven by synergy realization and organic growth amid negative mix
- Performance Materials burdened by negative business mix & usual price declines
- CO contains positive FX hedging result

9M 2017: Overview of key figures

Key figures

[€m]	9M 2016	9M 2017	Δ
Net sales	11,194	11,479	2.5%
EBITDA pre	3,416	3,410	-0.2%
Margin (in % of net sales)	30.5%	29.7%	
EPS pre	4.79	4.85	1.3%
Operating cash flow	1,731	2,055	18.7%

[€m]	Dec. 31, 2016	Sept. 30, 2017	Δ
Net financial debt	11,513	10,483	-8.9%
Working capital	3,486	3,755	7.7%
Employees	50,414	52,843	4.8%

Comments

- Flat EBITDA pre reflects organic growth, milestones & royalty income swap offset by LC decline and HC investments
- EPS pre increases due to improved financial result
- Healthy operating cash flow; LY burdened by high tax payments
- Net financial debt reflects strong focus on operating cash flow
- Working capital reflects increased receivables in Healthcare, higher inventories in all businesses
- Higher headcount related to growth initiatives in Healthcare and Life Science

Reported figures reflect solid business performance and exceptionals

Reported results

[€m]	9M 2016	9M 2017	Δ
EBIT	2,075	2,283	10.0%
Financial result	-256	-207	-19.3%
Profit before tax	1,819	2,076	14.2%
Income tax	-451	-482	-6.8%
<i>Effective tax rate (%)</i>	24.8%	23.2%	
Net income	1,360	1,587	16.7%
EPS (€)	3.13	3.65	16.6%

Comments

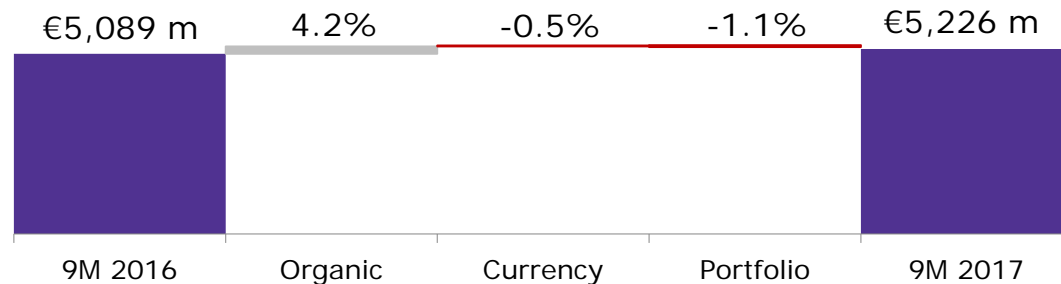
- EBIT increases despite lower EBITDA pre driven by proceeds from Biosimilars divestment
- Improved financial result reflects deleveraging; LY negatively impacted by LTIP* effect
- Effective tax rate within guidance range of ~23% to 25%

Healthcare: Solid organic growth amid pipeline investments

Healthcare P&L

[€m]	9M 2016	9M 2017
Net sales	5,089	5,226
Marketing and selling	-1,878	-2,033
Administration	-202	-226
Research and development	-1,078	-1,188
EBIT	1,314	1,375
EBITDA	1,947	1,847
EBITDA pre	1,631	1,566
Margin (in % of net sales)	32.0%	30.0%

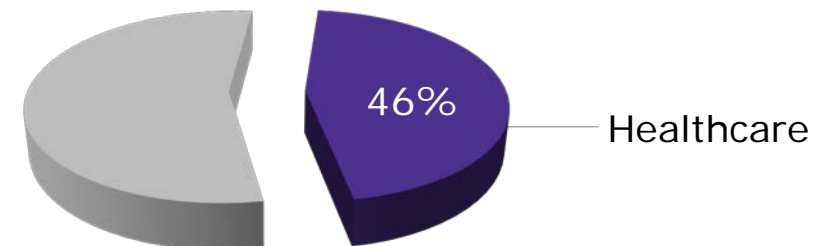
Net sales bridge



Comments

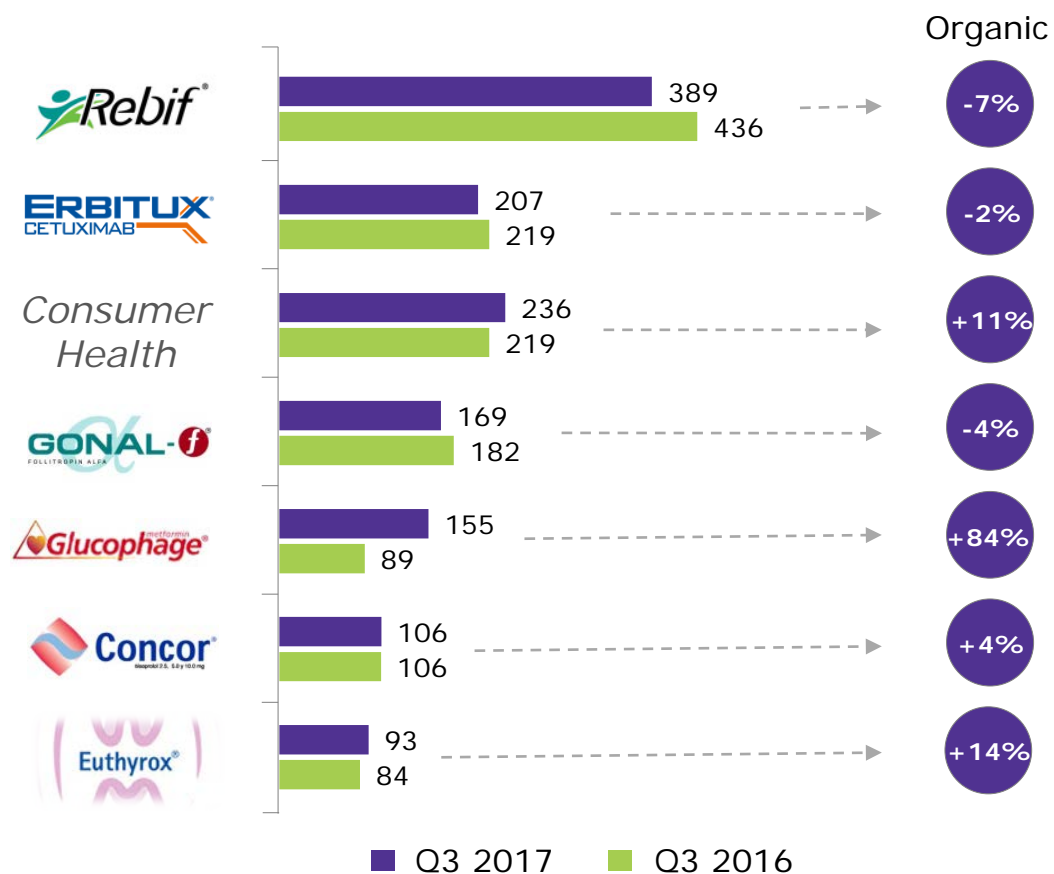
- Rebif declines due to competition in U.S. & EU, while U.S. pricing and Q2 inventory stocking support performance
- Erbitux shows organic decline - volume increase in growth markets outweighed by competition and price reductions in Europe
- General Medicine portfolio posts double-digit organic growth driven by strong performance in growth markets and repatriation in China
- Marketing & selling reflects investments for launches and costs for Glucophage repatriation in China
- R&D costs increase due to pipeline development
- Profitability benefits from royalty swap, Bavencio milestones and organic performance, but more than offset by higher R&D and M&S costs

9M 2017 share of group net sales

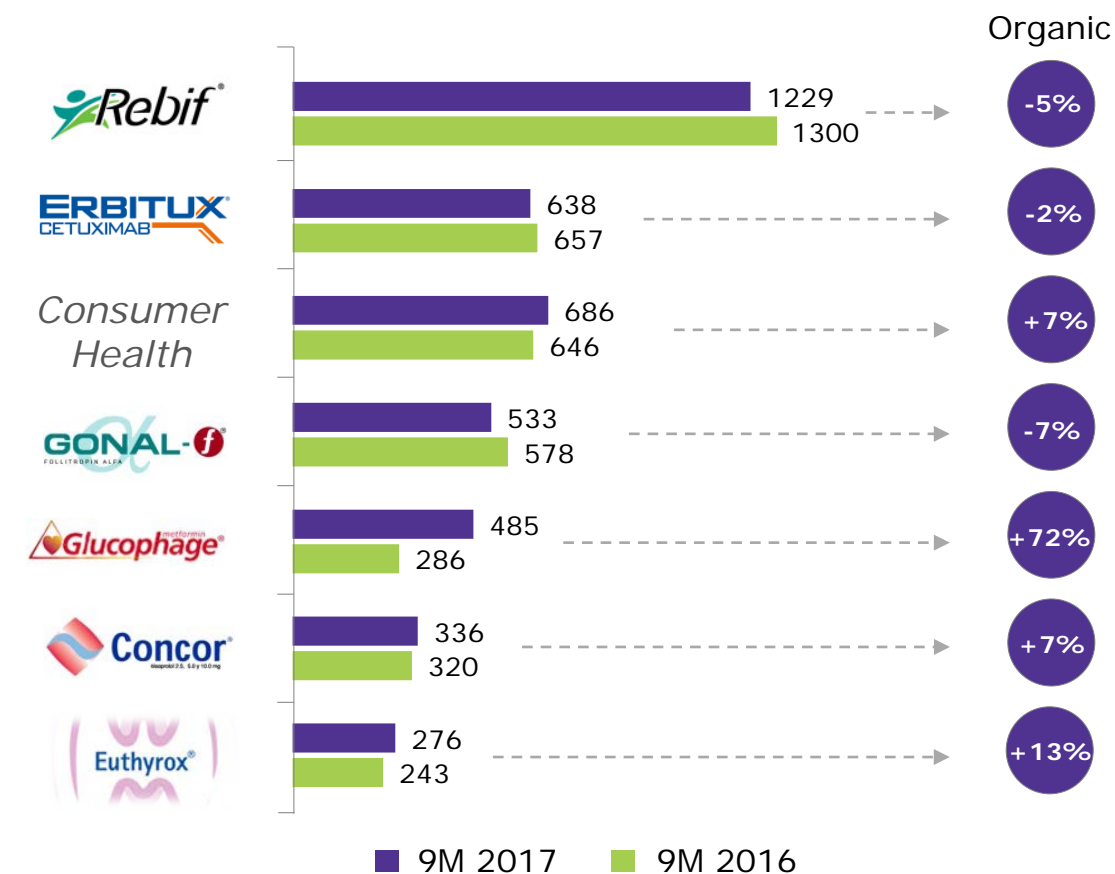


Healthcare organic growth by franchise/product

Q3 2017 organic sales growth [%]
by key product [€ m]



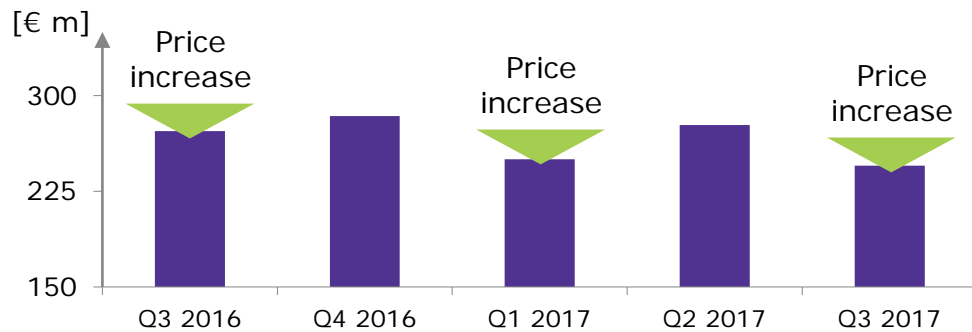
9M 2017 organic sales growth [%]
by key product [€ m]



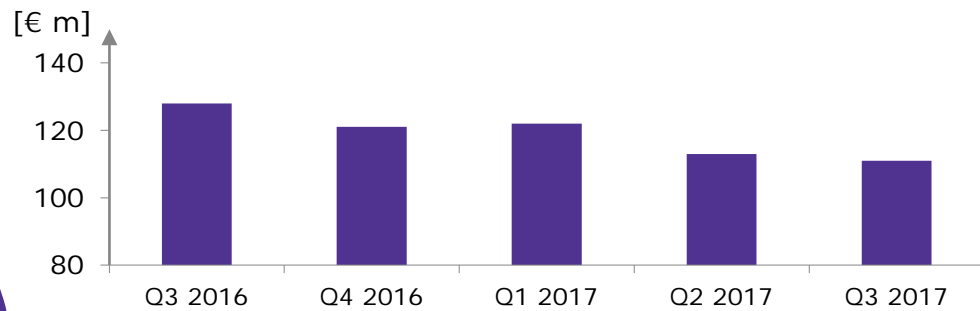
Rebif: Competitive landscape in U.S. and Europe

Rebif sales evolution

North America



Europe



Q3 drivers

-5.1% org.

- Price
- Volume
- FX

Q3 drivers

-12.1% org.

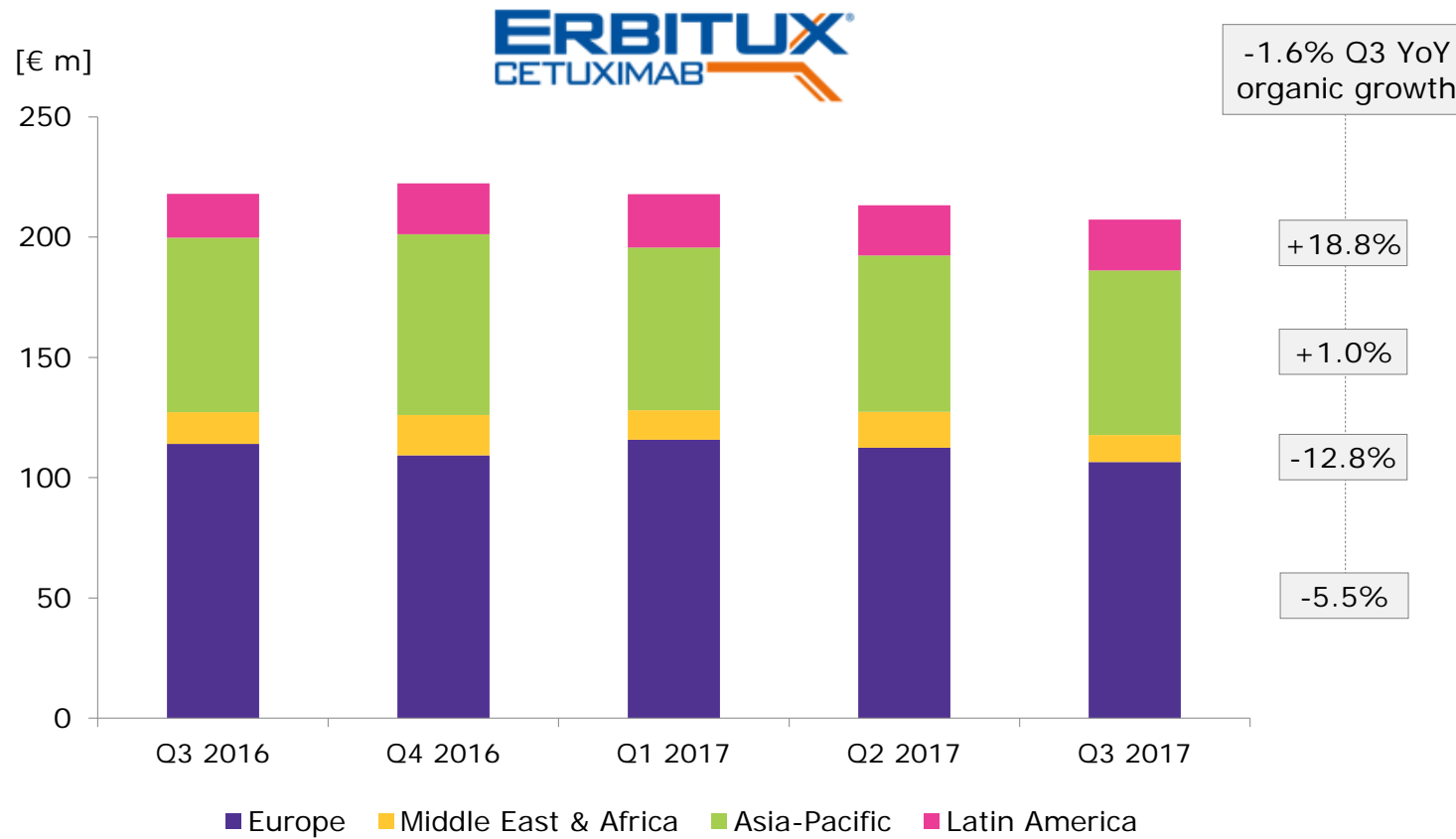
- Price
- Volume

Q3 2017 Rebif performance

- Rebif sales of €389 m in Q3 2017 reflect organic decline of -6.9% & FX headwinds
- Competition-driven U.S. volume erosion mitigated by price increases
- Market shares within interferons stable due to high retention rates and long-term track record
- Competition from orals and occasional price adjustments cause ongoing organic decline in Europe

Erbitux: A challenging market environment

Erbitux sales by region



Q3 2017 Erbitux performance

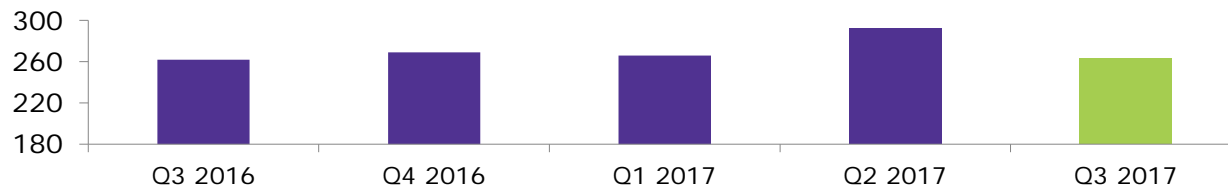
- Sales decline to €207 m driven by slight organic decline and FX headwinds
- Europe impacted by competition, price reductions and shrinking market size due to increasing immuno-oncology trials
- APAC with slight growth driven by new reimbursement uptake in Taiwan
- LATAM strong especially in Brazil; MEA affected by tender phasing

Strong organic growth of General Medicine driven by all major products

Sales evolution

Fertility

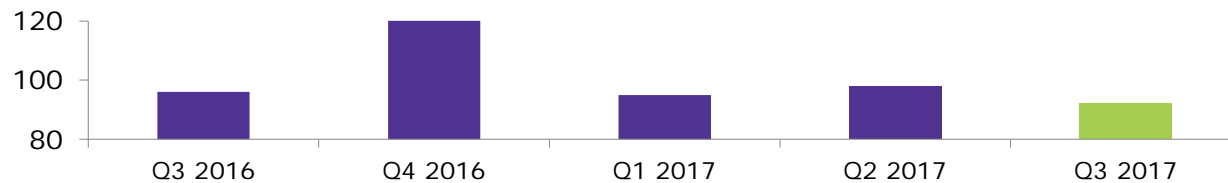
[€ m]



Organic
+4.4% org.

Endocrinology

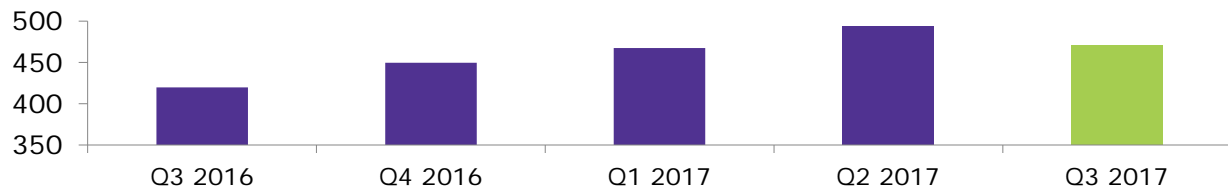
[€ m]



Organic
0.5% org.

General Medicine*

[€ m]



Organic
17.1% org.

Q3 2017 organic drivers

- Gonal-f still negative against high base LY and competition from biosimilars in Europe more than offsetting growth in China
- Rest of Fertility portfolio continues to grow double-digit, all regions contributing
- Endocrinology flat as growth in LATAM and EU is offset by lower demand in U.S.
- General Medicine benefits from Glucophage repatriation in China
- Euthyrox and Concor post healthy growth mainly driven by higher volumes in EU

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

M3541
ATM inhibitor
Solid tumors

M8891
MetAP2 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)⁴
Cancer immunotherapy
Solid tumors

M7824
anti-PD-L1/TGFbeta trap
Solid tumors

M4112
Cancer immunotherapy
Solid tumors

M1095 (ALX-0761)⁵
anti-IL-17 A/F nanobody
Psoriasis

M6495
anti-ADAMTS-5 nanobody
Osteoarthritis

M5717
PeEF2 inhibitor
Malaria

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 cancer 1L¹

sprifermin
fibroblast growth factor 18
Osteoarthritis

atacept
anti-Blys/anti-APRIL fusion protein
Systemic lupus erythematosus

atacept
anti-Blys/anti-APRIL fusion protein
IgA nephropathy

abrituzumab – anti-CD51 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-M^{1M}

avelumab - anti-PD-L1 mAb
Gastric cancer 3L³

avelumab - anti-PD-L1 mAb
Ovarian cancer platinum resistant/refractory

avelumab - anti-PD-L1 mAb
Ovarian cancer 1L¹

avelumab - anti-PD-L1 mAb
Urothelial cancer 1L-M^{1M}

avelumab - anti-PD-L1 mAb
Renal cell cancer 1L¹

avelumab - anti-PD-L1 mAb
Locally advanced head and neck cancer

Pipeline as of November 1st, 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.

Registration

cladribine tablets
lymphocyte targeting agent
Relapsing multiple sclerosis⁶

- Oncology
- Immuno-Oncology
- Immunology
- Neurology
- General Medicine

¹ First Line treatment; ^{1M} First Line maintenance treatment; ² Second Line treatment; ³ Third Line treatment; ⁴ Sponsored by the National Cancer Institute (USA);

⁵ As announced on March 30 2017, in an agreement with Avillion, anti-IL-17 A/F nanobody will be developed by Avillion for plaque psoriasis and commercialized by Merck;

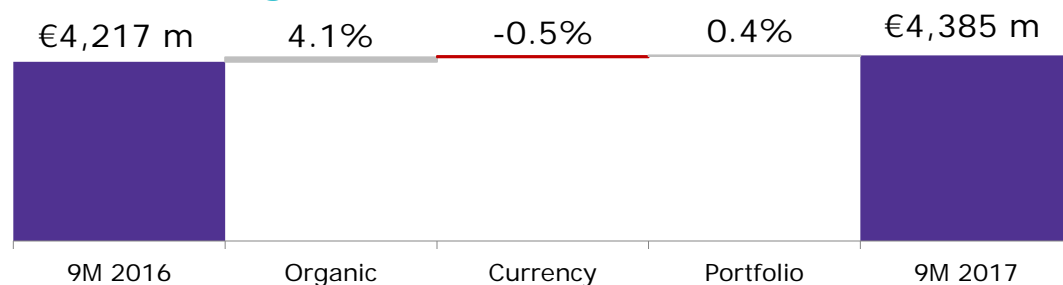
⁶ As announced on August 25 2017, the European Commission has granted marketing authorization for cladribine tablets for the treatment of highly active relapsing multiple sclerosis in the 28 countries of the European Union in addition to Norway, Liechtenstein and Iceland.

Life Science: Ongoing synergy realization drives margin progression

Life Science P&L

[€m]	9M 2016	9M 2017
Net sales	4,217	4,385
Marketing and selling	-1,248	-1,303
Administration	-176	-194
Research and development	-190	-190
EBIT	486	677
EBITDA	1,026	1,242
EBITDA pre	1,233	1,325
Margin (in % of net sales)	29.2%	30.2%

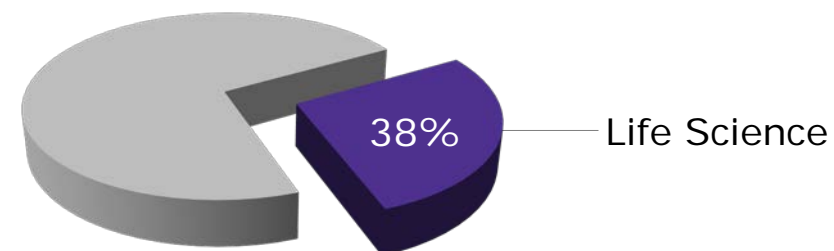
Net sales bridge



Comments

- Process Solutions benefits from robust demand for single-use, services & virus removal, against tough comps & softer key accounts business
- Applied Solutions delivers good organic growth, due to strong demand for pharma & analytical testing, diagnostics and water purification
- Research Solutions posts slight organic growth driven by specialty chemicals business & diagnostic customers outweighing soft U.S. academia
- 9M 2016 EBIT affected by inventory step-up for Sigma-Aldrich
- Profitability reflects ongoing synergy realization and organic growth partially offset by negative business mix effects

9M 2017 share of group net sales

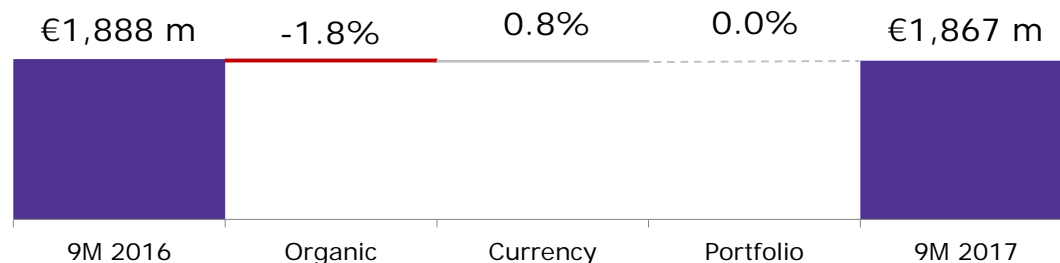


Performance Materials: Liquid Crystals sales decline burdens profitability

Performance Materials P&L

[€m]	9M 2016	9M 2017
Net sales	1,888	1,867
Marketing and selling	-175	-181
Administration	-45	-54
Research and development	-157	-173
EBIT	613	553
EBITDA	808	734
EBITDA pre	829	752
Margin (in % of net sales)	43.9%	40.2%

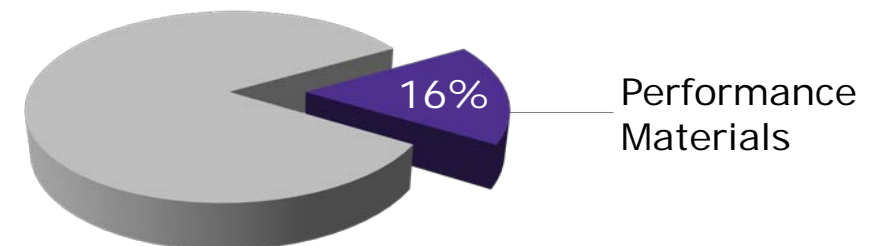
Net sales bridge



Comments

- Organic growth of Integrated Circuit Materials, Pigments and OLED cannot offset Liquid Crystal market share normalization
- Ongoing Liquid Crystal 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
- Profitability reflects negative business mix, usual Liquid Crystal price reductions as well as higher R&D for future growth projects

9M 2017 share of group net sales



Healthy operating cash flow driven by higher profit and tax effects

9M 2017 – cash flow statement

[€m]	9M 2016	9M 2017	Δ
Profit after tax	1,368	1,595	227
D&A	1,386	1,247	-139
Changes in provisions	-42	22	64
Changes in other assets/liabilities	-396	-101	295
Other operating activities	-421	-349	72
Changes in working capital	-165	-359	-194
Operating cash flow	1,731	2,055	324
Investing cash flow	-53	-794	-741
thereof Capex on PPE	-456	-569	-113
Financing cash flow	-1,631	-1,318	313

Cash flow drivers

- Profit after tax includes gains from Kuvan (LY) & Biosimilars divestment, which are 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 outweighing Biosimilars divestment
- Financing cash flow reflects repayment of \$250 m and €700 m bond (Q1/Q3); LY with higher repayment of debt

Exceptionals in Q3 2017

Exceptionals in EBIT

[€m]	Q3 2016		Q3 2017	
	Exceptionals	thereof D&A	Exceptionals	thereof D&A
Healthcare	6	0	-317	-17
Life Science	25	0	24	0
Performance Materials	8	0	2	0
Corporate & Other	25	0	29	0
Total	63	0	-261	-17

Exceptionals in 9M 2017

Exceptionals in EBIT

[€m]	9M 2016		9M 2017	
	Exceptionals	thereof D&A	Exceptionals	thereof D&A
Healthcare	-245	71	-366	-84
Life Science	207	0	86	3
Performance Materials	21	0	25	7
Corporate & Other	42	0	60	0
Total	25	71	-195	-74

Financial calendar

Date	Event
March 8, 2018	Q4 2017 Earnings release
April 27, 2018	Annual General Meeting
May 15, 2018	Q1 2018 Earnings release
August 9, 2018	Q2 2018 Earnings release



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