COURSE OF BUSINESS AND ECONOMIC POSITION

Merck

Overview of 2015

- Sales increase by 13.0% to € 12.8 billion
- All business sectors report organic sales growth
- EBITDA pre exceptionals up 7.1% to around € 3.6 billion
- Earnings per share pre exceptionals rise 5.9% to € 4.87
- Business free cash flow increases by 6.2% to € 2.8 billion
- Healthcare: Robust base business; cooperation with Pfizer developing according to plan
- Life Science: Strong and profitable organic sales growth amid successful completion of the Sigma-Aldrich acquisition
- Performance Materials: Market positions in all businesses successfully defended with organic sales at 2014 level
- Corporate objectives for 2015 met in full

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Key figures

€ million	**2015**	2014	Change in %
Net sales[1]	12,844.7	11,362.8	13.0
Operating result (EBIT)	1,843.2	1,762.0	4.6
Margin (% of net sales)[1]	14.3	15.5	
EBITDA	3,354.1	3,122.9	7.4
Margin (% of net sales)[1]	26.1	27.5	
EBITDA pre exceptionals	3,629.8	3,387.7	7.1
Margin (% of net sales)[1]	28.3	29.8	
Earnings per share (€)	2.56	2.66	–3.8
Earnings per share pre exceptionals (€)	4.87	4.60	5.9
Business free cash flow	2,766.2	2,605.1	6.2

[1] The composition of net sales has changed, see “Changes to accounting and measurement principles and disclosure changes” in the Notes to the Group accounts.

Development of net sales and results of operations

In 2015, we generated net sales of € 12,845 million (2014: € 11,363 million), representing an increase of 13.0% or € 1,482 million over 2014. This positive sales development was due to organic growth, positive exchange rate effects and acquisition-related increases. In 2015, the organic increase in sales amounted to 2.6% or € 293 million. As a consequence of the weaker value of the euro against the most important currencies, this led to net positive exchange rate effects of 6.2% or € 702 million. This was primarily due to the U.S. dollar and Asian currencies, especially the Chinese renminbi and the Taiwan dollar. Negative exchange rate effects resulted mainly from Latin American currencies, for instance the Venezuelan bolivar and the Brazilian real. Acquisitions/divestments increased net sales overall by 4.3% or € 487 million. The acquisition-related effect from the first-time consolidation of AZ Electronic Materials (AZ) on May 2, 2014 amounted to € 203 million. The increase in sales due to the consolidation of Sigma-Aldrich since November 18, 2015 totaled € 289 million. Of this amount, € 279 million was generated by the Life Science business sector and € 10 million by the Performance Materials business sector. Subsequent to the divestment of the Discovery and Development Solutions business field in the Life Science business sector as of March 31, 2014, net sales declined by € 5 million compared with the previous year.

The development of net sales in the individual quarters in comparison with 2014 as well as respective organic growth rates are presented in the following overview:

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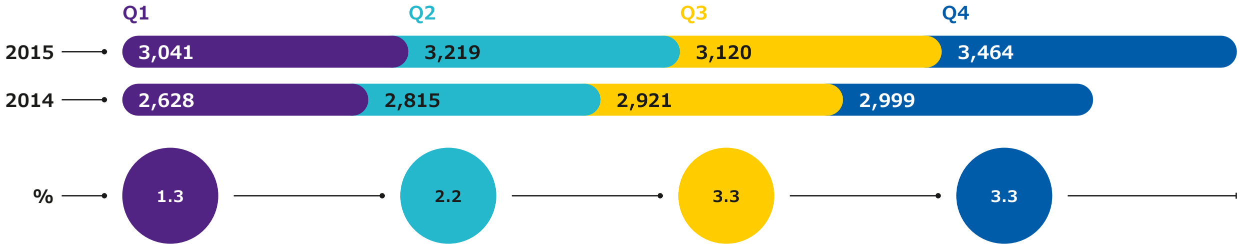
Net sales and organic growth by quarter[1]

€ million / organic growth in %



[1] Quarterly breakdown unaudited.

In 2015, Healthcare accounted for 54% (2014: 58%) of our total Group sales and thus remained our largest business sector in terms of sales. Life Science and Performance Materials followed behind, contributing 26% (2014: 24%) and 20% (2014: 18%) to Group sales, respectively. The respective two percentage-point increases in the share of sales accounted for by both Life Science and Performance Materials were mainly related to the acquisitions of Sigma-Aldrich and AZ.

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Net sales by business sector – 2015

€ million / % of net sales

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Net sales components by business sector – 2015

€ million / change in %	Net sales	Organic growth	Exchange rate effects	Acquisitions / divestments	Total change
Healthcare	6,933.8	1.6	3.1	–	4.7
Life Science	3,355.3	6.5	8.4	10.2	25.1
Performance Materials	2,555.6	0.6	13.1	10.4	24.1
Merck Group	**12,844.7**	**2.6**	**6.2**	**4.3**	**13.0**

All our business sectors recorded organic sales increases and positive exchange rate effects in 2015. Achieving an organic growth rate of 6.5%, which corresponded to an absolute increase of € 173 million, Life Science made the strongest absolute contribution to organic sales growth, followed by Healthcare with organic sales growth of € 106 million, equivalent to a growth rate of 1.6%, and Performance Materials with € 13 million, or 0.6%. The overall change in net sales reflects the benefits of positive exchange rate effects and sales contributions from the acquired businesses. Driven mainly by the first-time consolidation of Sigma-Aldrich, Life Science delivered a growth rate of 25.1% or € 673 million, the strongest sales increase among our business sectors.

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Net sales by region – 2015

€ million / % of net sales

Driven by positive exchange rate movements and acquisition-related growth, sales in the Asia-Pacific region rose by 23.2% or € 798 million to € 4,241 million (2014: € 3,443 million). Asia-Pacific thus became our top-selling region and the growth engine of the Group; more than half of total sales growth in 2015 was generated in this region. In particular, Performance Materials benefited in this region from positive currency effects and the consolidation of AZ Electronic Materials. All business sectors contributed to organic growth of 4.7%, although this development was mainly attributable to Healthcare, which reported organic growth of 10.4%. The contribution to Group sales by the Asia-Pacific region rose by three percentage points to 33% (2014: 30%).

Sales generated in Europe grew by 2.1% to € 4,103 million (2014: € 4,017 million). While the Life Science (+12.7%) and Performance Materials (+6.5%) business sectors achieved sales growth, Healthcare posted a sales decline (–2.1%). Overall, this region's contribution to Group sales in 2015 declined to 32% (2014: 36%).

Sales in North America amounted to € 2,723 million (2014: € 2,152 million), which represents a year-on-year increase of 26.5%. This was due in particular to favorable currency effects from the strong U.S. dollar and acquisition-related sales increases that were primarily attributable to the acquisition of Sigma-Aldrich. The organic growth generated by the Life Science business sector (+8.5%) was canceled out by the organic sales declines in the other two business sectors. The contribution to Group sales by this region in 2015 was 21%, representing an increase of two percentage points (2014: 19%).

In Latin America, Group sales decreased slightly owing to currency effects to € 1,265 million (2014: € 1,285 million). Negative exchange rate effects stemmed mainly from the change in the translation of the Venezuelan bolivar into the reporting currency, euros. In this connection, reference is made to the explanations in Note [7] "Management judgments and sources of estimation uncertainty" in the Notes to the Group accounts. All business sectors contributed to organic sales growth of 8.6%. In 2015, Latin America generated 10% (2014: 11%) of Group sales.

Net sales in the Middle East and Africa region rose in 2015 by 10.1%, amounting to € 513 million (2014: € 466 million). Organic sales growth of 6.8% was mainly attributable to the Healthcare business sector. This region accounted for an unchanged 4% of Group sales.

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Net sales components by region – 2015

€ million / change in %	Net sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Europe	4,102.7	0.2	0.2	1.8	2.1
North America	2,722.9	–0.9	17.9	9.6	26.5
Asia-Pacific (APAC)	4,240.8	4.7	12.6	5.9	23.2
Latin America	1,265.3	8.6	–10.5	0.4	–1.5
Middle East and Africa (MEA)	513.0	6.8	2.5	0.8	10.1
Merck Group	**12,844.7**	**2.6**	**6.2**	**4.3**	**13.0**

The consolidated income statement of the Merck Group is as follows:

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Consolidated Income Statement[1]

€ million	2015	in %	2014	in %	Change in € million	Change in %
Net sales	**12,844.7**	**100.0**	**11,362.8**	**100.0**	**1,481.9**	**13.0**
Cost of sales	–4,076.3	–31.7	–3,526.4	–31.0	–549.9	15.6
(of which: amortization of intangible assets)[2]	*(–166.6)*		*(–94.0)*		*(–72.6)*	*(77.3)*
Gross profit	**8,768.4**	**68.3**	**7,836.4**	**69.0**	**932.0**	**11.9**
Marketing and selling expenses	–4,049.5	–31.5	–3,589.1	–31.6	–460.4	12.8
(of which: amortization of intangible assets)[2]	*(–778.9)*		*(–719.0)*		*(–59.9)*	*(8.4)*
Administration expenses	–719.9	–5.6	–608.6	–5.4	–111.3	18.3
Research and development costs	–1,709.2	–13.3	–1,703.7	–15.0	–5.5	0.3
(of which: amortization of intangible assets)[2]	*(–2.7)*		*(–3.8)*		*(1.1)*	*(–30.5)*
Other operating expenses and income	–446.6	–3.5	–173.0	–1.5	–273.6	158.2
Operating result (EBIT)	**1,843.2**	**14.3**	**1,762.0**	**15.5**	**81.2**	**4.6**
Financial result	–356.7	–2.8	–205.0	–1.8	–151.7	74.0
Profit before income tax	**1,486.5**	**11.6**	**1,557.0**	**13.7**	**–70.5**	**–4.5**
Income tax	–368.0	–2.9	–392.2	–3.5	24.2	–6.2
Profit after tax from continuing operations	**1,118.5**	**8.7**	**1,164.8**	**10.3**	**–46.3**	**–4.0**
Profit after tax from discontinued operations	**5.6**	–	–	–	5.6	–
Profit after tax	**1,124.1**	**8.8**	**1,164.8**	**10.3**	**–40.7**	**–3.5**
Non-controlling interests	–9.3	–0.1	–7.5	–0.1	–1.8	25.1
Net income	**1,114.8**	**8.7**	**1,157.3**	**10.2**	**–42.5**	**–3.7**

[1] The reporting structure has changed, see "Changes to accounting and measurement principles and disclosure changes" in the Notes to the Group accounts.
[2] Excluding amortization of internally generated or separately acquired software.

The increase in cost of sales as well as other functional costs, for example marketing and selling expenses and administration expenses, was significantly influenced by exchange rate effects and the first-time consolidation of Sigma-Aldrich. Despite the rise in cost of sales to € 4,076 million (2014: € 3,526 million), gross profit saw a double-digit increase (+11.9%) to € 8,768 million. Gross margin, i.e. gross profit as a percentage of sales, declined slightly to 68.3% (2014: 69.0%).

In 2015, research and development costs were at the previous year's level. Healthcare, which is the Group's most research-intense business sector, accounted for 77% (2014: 80%) of Group-wide R&D spending. The Group research spending ratio (research and development costs as a percentage of sales) declined to 13.3% (2014: 15.0%). Our research spending ratio in the Healthcare business sector was 18.9% (2014: 20.6%).

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Research and development costs by business sector – 2015

€ million/in %

In 2015, other operating expenses and income (net) amounted to € –447 million (2014: € –173 million) and comprised expenses of € 917 million (2014: € 737 million) as well as income of € 471 million (2014: € 564 million). The increase in other operating expenses was primarily due to exchange rate losses in operating business and higher allowances for receivables. The decrease in other operating income was mainly due to one-time income in 2014 from the adjustment of provisions for litigation with Israel Bio-Engineering Project Limited Partnership ("IBEP"). This effect could not be offset by higher income from milestone payments largely attributable to the alliance entered into with Pfizer in November 2014 to co-develop and co-commercialize active ingredients in immuno-oncology. Further information about the development and composition of other operating expenses and income can be found in Note [12] "Other operating income" and Note [13] "Other operating expenses" in the Notes to the Group accounts.

Overall, our operating result (EBIT) increased by 4.6% to € 1,843 million.

In 2015, the negative financial result grew by € 152 million to € –357 million (2014: € –205 million), particularly owing to higher interest expenses in connection with the financing measures for the Sigma-Aldrich acquisition. Furthermore, we incurred higher exchange rate losses from financial transactions that burdened the financial result more strongly than in 2014 (see Note [14] "Financial result" in the Notes to the Group accounts).

Income tax expenses of € 368 million (2014: € 392 million) led to a tax ratio of 24.8% (2014: 25.2%). Further information about income taxes can be found in Note [15] "Income taxes" in the Notes to the Group accounts.

Profit after tax of discontinued operations comprises the business activities of Sigma-Aldrich acquired with a view to resale. As a consequence of the antitrust commitments imposed by the European Commission, Merck and Sigma-Aldrich had agreed to sell parts of Sigma-Aldrich's solvents and inorganics business in Europe (see also Note [4] "Acquisitions, assets held for sale and disposal groups" in the Notes to the Group accounts).

Net income, i.e. profit after tax attributable to Merck shareholders, for 2015 was € 1,115 million (2014: € 1,157 million), resulting in earnings per share of € 2.56 (2014: € 2.66).

The key financial indicator used to steer operating business, EBITDA pre exceptionals, climbed 7.1% to € 3,630 million (2014: € 3,388 million). The resulting EBITDA margin pre exceptionals of 28.3% nearly reached the year-earlier level (29.8%). The reconciliation of the operating result (EBIT) to EBITDA pre exceptionals is presented under "Internal Management System".

The development of EBITDA pre exceptionals in the individual quarters in comparison with 2014 is presented in the following overview:

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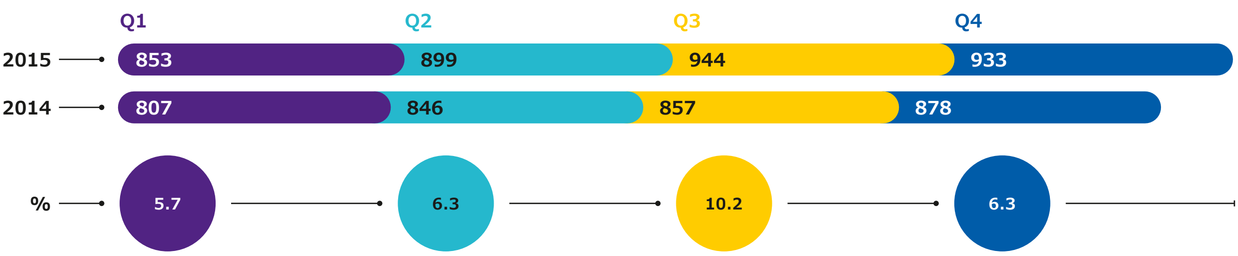
EBITDA pre exceptionals and change by quarter[1]

€ million / change in %



[1] Quarterly breakdown unaudited.

The increase in Group EBITDA pre exceptionals was driven by the Life Science and Performance Materials business sectors. Life Science improved this key performance indicator by € 198 million or 30.0%, and Performance Materials delivered an increase of € 237 million or 26.5%. At € 2,002 million, EBITDA pre exceptionals of the Healthcare business sector remained at the level of 2014, accounting for a 50% share (2014: 56%) of Group EBITDA pre exceptionals (excluding the € –360 million decline due to Corporate and Other). The percentage shares of EBITDA pre exceptionals attributable to Life Science and Performance Materials rose to 22% (2014: 19%) and 28% (2014: 25%), respectively.

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EBITDA pre exceptionals by business sector – 2015

€ million / in %

Not presented: Decline in Group EBITDA pre exceptionals by € –360 million due to Corporate and Other.

Net assets and financial position

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Balance sheet structure[1]

	Dec. 31, 2015		Dec. 31, 2014		Change	
	€ million	in %	€ million	in %	€ million	in %
Non-current assets	**30,657.0**	**80.7**	**15,529.7**	**59.7**	**15,127.3**	**97.4**
of which:						
Intangible assets	25,339.0		11,395.5		13,943.5	
Property, plant and equipment	4,009.1		2,990.4		1,018.7	
Other non-current assets	1,308.9		1,143.8		165.1	
Current assets	**7,350.2**	**19.3**	**10,480.4**	**40.3**	**–3,130.2**	**–29.9**
of which:						
Inventories	2,619.8		1,659.7		960.1	
Trade accounts receivable[2]	2,738.3		2,219.5		518.8	
Current financial assets	227.0		2,199.4		–1,972.4	
Other current assets[2]	932.9		1,523.3		–590.4	
Cash and cash equivalents	832.2		2,878.5		–2,046.3	
Total assets	**38,007.2**	**100.0**	**26,010.1**	**100.0**	**11,997.1**	**46.1**
Equity	**12,855.3**	**33.8**	**11,801.0**	**45.4**	**1,054.3**	**8.9**
Non-current liabilities	**15,768.9**	**41.5**	**7,607.7**	**29.2**	**8,161.2**	**107.3**
of which:						
Provisions for pensions and other post-employment benefits	1,836.1		1,820.1		16.0	
Other non-current provisions	855.3		626.1		229.2	
Non-current financial liabilities	9,616.3		3,561.1		6,055.2	
Other non-current liabilities	3,461.2		1,600.4		1,860.8	
Current liabilities	**9,383.0**	**24.7**	**6,601.4**	**25.4**	**2,781.6**	**42.1**
of which:						
Current provisions	535.4		561.7		–26.3	
Current financial liabilities	4,096.6		2,075.9		2,020.7	
Trade accounts payable	1,921.2		1,539.4		381.8	
Other current liabilities	2,829.8		2,424.4		405.4	
Total liabilities and equity	**38,007.2**	**100.0**	**26,010.1**	**100.0**	**11,997.1**	**46.1**

[1] Since January 1, 2015, the consolidated balance sheet has been structured in descending order of maturity.
[2] Previous year's figures have been adjusted, see "Changes to accounting and measurement principles and disclosure changes" in the Notes to the Group accounts.

As of December 31, 2015, total assets amounted to € 38,007 million. This represents an increase of € 11,997 million or 46.1% over December 31, 2014 (€ 26,010 million). Both this very strong increase and the change in the balance sheet structure were mainly due to the acquisition of Sigma-Aldrich, which closed in November 2015. As part of the preliminary purchase price allocation for this transaction, the acquired assets and liabilities were measured at fair values in the balance sheet. On the date of first-time consolidation, this increased intangible assets (excluding goodwill) by € 5,873 million. The goodwill from the acquisition amounted to € 8,613 million. Further information on the purchase price allocation for the Sigma-Aldrich acquisition can be found in Note [4] "Acquisitions, assets held for sale and disposal groups" in the Notes to the Group accounts. The purchase price of € 15,974 million was financed through cash on our balance sheet, bank loans and bonds. Following the issuance of a hybrid bond (€ 1.5 billion) in December 2014, we issued a further bond with a volume of US$ 4 billion in March 2015. Lastly, in August 2015, we issued a euro bond amounting to € 2.1 billion. Moreover, credit lines totaling € 2.95 billion were utilized for the purchase price payment. An overview of the outstanding bonds can be found in Note [28] "Financial liabilities/Capital management" in the Notes to the Group accounts.

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

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Net financial debt

	Dec. 31, 2015	Dec. 31, 2014	Change	
	€ million	€ million	€ million	in %
Bonds and commercial paper	9,851.4	4,624.2	5,227.2	113.0
Loans to banks	3,006.0	267.4	2,738.6	–
Liabilities to related parties	577.8	501.4	76.4	15.2
Loans from third parties and other financial liabilities	89.2	84.5	4.7	5.6
Liabilities from derivatives (financial transactions)	183.7	153.0	30.7	20.1
Finance lease liabilities	4.8	6.5	–1.7	–26.2
Total financial liabilities	**13,712.9**	**5,637.0**	**8,075.9**	**143.3**
less				
Cash and cash equivalents	832.2	2,878.5	–2,046.3	–71.1
Current financial assets	227.0	2,199.4	–1,972.4	–89.7
Net financial debt	**12,653.7**	**559.1**	**12,094.6**	**–**

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Reconciliation of net financial debt

€ million	2015
January 1	**559.1**
Currency translation	–737.2
Dividend payments to shareholders and to E. Merck[1]	567.8
Acquisitions[1]	13,482.3
Assumption of financial liabilities from Sigma-Aldrich	425.3
Payment from the disposal of assets held for sale[1]	–86.0
Free cash flow	–1,538.5
Other	–19.1
December 31	**12,653.7**

[1] According to the consolidated cash flow statement.

Thanks to the strong internal financing power of the Merck Group, the increase in net financial debt in 2015 was significantly lower than the cash outflow in connection with the acquisition of Sigma-Aldrich.

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Working capital

€ million	**Dec. 31, 2015**	Dec. 31, 2014	Change in € million	Change in %
Trade accounts receivable	2,738.3	2,219.5	518.8	23.4
Receivables from royalties and licenses	11.5	16.1	–4.6	–28.6
Inventories	2,619.8	1,659.7	960.1	57.8
Trade accounts payables	–1,921.2	–1,539.4	–381.8	24.8
Working capital	3,448.4	2,355.9	1,092.5	46.4

The increase in working capital was likewise due to the first-time consolidation of Sigma-Aldrich and to exchange rate effects. Excluding these effects, working capital would have been at the level of 2014.

Our equity increased by € 1,054 million, amounting to € 12,855 million on December 31, 2015 (December 31, 2014: € 11,801 million). This strong increase of 8.9% was mainly driven by profit after tax generated in 2015 amounting to € 1,124 million and the development of currency translation differences from the translation of assets held in foreign currencies into euros, the reporting currency. This was countered by the reclassification of the Sigma-Aldrich purchase price hedging gains, dividend payments, and the profit transfer to E. Merck KG (see "Consolidated Statement of Comprehensive Income" and "Consolidated Statement of Changes in Net Equity" in the Consolidated Financial Statements). Owing to the sharp increase in total assets, the equity ratio decreased by 11.6 percentage points, amounting to 33.8% as of December 31, 2015 (December 31, 2014: 45.4%).

Free cash flow was € 1,539 million in 2015, which did not meet the high level achieved in 2014. The composition and the development of the relevant items are presented in the following table:

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Free cash flow

€ million	**2015**	2014	Change in %
Cash flow from operating activities according to the cash flow statement	2,195.2	2,705.5	–18.9
Payments for investments in intangible assets	–179.1	–143.3	25.0
Payments from the disposal of intangible assets	27.4	2.1	–
Payments for investments in property, plant and equipment	–513.9	–480.9	6.9
Payments from the disposal of property, plant and equipment	8.9	14.0	–36.3
Free cash flow	**1,538.5**	**2,097.4**	**–26.6**

Driven by the development of EBITDA pre exceptionals, business free cash flow of the Merck Group rose in 2015 by 6.2% to € 2,766 million (2014: € 2,605 million). The composition of this financial indicator is presented under "Internal Management System".

The distribution of business free cash flow across the individual quarters and the percentage changes in comparison with 2014 were as follows:

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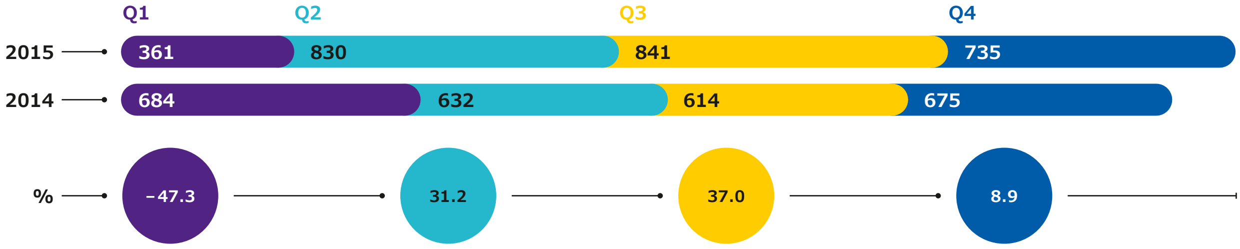
Business free cash flow and change by quarter[1]

€ million/change in %



[1] Quarterly breakdown unaudited.

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Business free cash flow by business sector – 2015

€ million/in %

Not presented: Decline in Group business free cash flow by € –421 million due to Corporate and other.

The increase in Group business free cash flow in 2015 was attributable to the two operating business sectors Life Science and Performance Materials. Healthcare generated business free cash flow amounting to € 1,581 million (2014: € 1,701 million). Consequently, with a 50% share (2014: 60%) of Group business free cash flow (excluding the decline of € –421 million due to Corporate and Other), Healthcare was once again the business sector with the highest cash flows. In 2015, the Life Science business sector achieved a 61.2% increase in business free cash flow to € 676 million (2014: € 419 million), thus also increasing its share of Group business cash flow to 21% (2014: 15%). Performance Materials contributed € 931 million (2014: € 700 million) to this Group financial indicator, equivalent to 29% (2014: 25%).

The investments in property, plant, equipment and software included in the calculation of business free cash flow as well as advance payments for intangible assets increased in 2015 by 15.4% to a total of € 609 million (2014: € 528 million). The investments in property, plant and equipment included therein amounted to € 564 million in 2015 (2014: € 485 million), of which € 262 million was attributable to strategic investment projects each with a project volume of more than € 2 million; the remainder was attributable to smaller capital spending projects.

In 2015, strategic investments of € 83 million were made to expand the Darmstadt site. Of this amount, € 29 million was used to upgrade global headquarters; the projects include an Innovation Center, a Visitor Center and an employee cafeteria, among other things. Moreover, in the Performance Materials business sector, OLED production capacity was expanded with an investment of € 13 million in order to better meet growing demand. In the Healthcare business sector, € 8 million was invested in a new laboratory research building.

Globally, strategic investments were made in the Healthcare business sector. Special mention should be made of the production facility in Nantong, China (€ 50 million), a new production plant for the Allergy business in Reinbek, Germany (€ 17 million), an expansion of the existing filling plant at the Bari site in Italy (€ 18 million), and the construction of a new packaging unit at the Aubonne site in Switzerland (€ 8 million). Within the Life Science business sector, € 7 million was invested in a new production unit in Spain.

In 2015, there were no changes to our long-term credit ratings by the two rating agencies Moody's and Standard & Poor's. The latter continues to issue a rating of "A" with a negative outlook and Moody's a "Baa1" rating with a negative outlook. An overview of the development of our rating in recent years is presented in the Report on Risks and Opportunities.

The development of key balance sheet figures was as follows:

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Key balance sheet figures

in %		**Dec. 31, 2015**	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Equity ratio	Equity / Total assets	33.8	45.4	53.2	48.1	47.4
Asset ratio	Non-current assets / Total assets	80.7	59.7	64.5	69.4	71.1
Asset coverage	Equity / Non-current assets	41.9	76.0	82.4	69.4	66.7
Finance structure	Current liabilities / Liabilities (total)	37.3	46.5	40.0	40.6	37.5

Overall assessment of business performance and economic situation

We again achieved very good operational success with our strong businesses in 2015. At the same time, we also realized important strategic objectives concerning the long-term direction of the Group. Net sales grew by 13% to € 12,845 million and EBITDA pre exceptionals, our key financial indicator to assess operational performance, rose by 7.1% to € 3,630 million. All our business sectors contributed to this success.

The successful acquisition of Sigma-Aldrich in November 2015, through which our Life Science business sector has become a leading supplier in the lucrative Life Science market, was of major significance to us. We thus achieved an important step in the implementation of our long-term strategy, through which we want to secure future growth and profitability. Additionally, we made progress with the further development of our pharmaceutical pipeline in 2015. The operating business of the Performance Materials business sector benefited from the successful integration of AZ Electronic Materials.

The solid accounting and finance policy of the Merck Group is again reflected by the very good key balance sheet figures. The equity ratio as of December 31, 2015 was 33.8%, thus remaining at a good level. As expected, net financial debt rose massively owing to the acquisition of Sigma-Aldrich. We assume that our strong internal financing power will enable us to quickly reduce our financial liabilities. This is underscored by the unchanged long-term ratings from Moody's and Standard & Poor's. Against the backdrop of our solid net assets and financial position as well as the earning strength of our businesses, we assess the economic position of the Merck Group positively overall. It represents a superb starting basis for future organic growth of the Group.