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KEY FIGURES

€ million	2014	2013[1]	Change in %
Total revenues	5,975.0	6,060.4	–1.4
Sales	5,783.3	5,688.4	1.7
Operating result (EBIT)	956.5	793.1	20.6
Margin (% of sales)	16.5	13.9	
EBITDA	1,786.0	1,786.6	–
Margin (% of sales)	30.9	31.4	
EBITDA pre one-time items	1,830.9	1,855.1	–1.3
Margin (% of sales)	31.7	32.6	
Business free cash flow	1,577.2	1,787.1	–11.7

[1] Previous year's figures have been adjusted, see "The Merck Group" in the Group management report.

Development of sales and results of operations

In 2014, the Merck Serono division generated organic sales growth of 3.6 %. Taking negative foreign exchange effects of –1.9 % into account, divisional sales rose overall by 1.7 % to € 5,783 million (2013: € 5,688 million). All the division's franchises contributed to the organic sales growth, with the highest absolute sales increase coming from the Fertility franchise. The Oncology franchise also achieved good organic sales growth with the biopharmaceutical Erbitux®. Used in the treatment of relapsing forms of multiple sclerosis, Rebif® performed well despite increasing competitive pressure. From a geographic perspective, as in previous years, the Emerging Markets region was the division's main growth driver, particularly in the General Medicine franchise (including CardioMetabolic Care).

The development of sales in the individual quarters in comparison with 2013 as well as the respective organic growth rates are presented in the following overview:

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SALES AND ORGANIC GROWTH BY QUARTER[1,2]
€ million / organic growth in %

[1] Quarterly breakdown unaudited.
[2] Previous year's figures have been adjusted, see "The Merck Group" in the Group management report.

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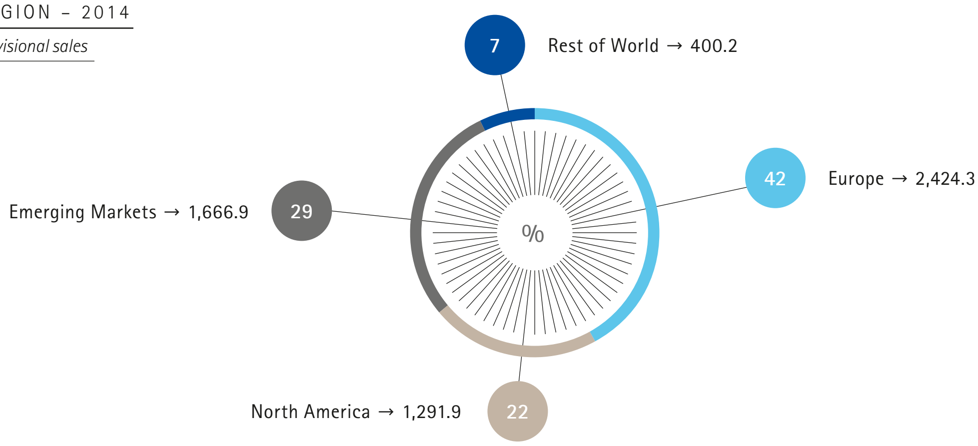
SALES BY REGION – 2014

€ million / % of divisional sales



Europe, the division's top-selling region, posted a slight organic sales decline of – 1.4 % and a negative foreign exchange impact of – 0.3 %, thereby generating sales of € 2,424 million (2013: € 2,467 million). The share of divisional sales accounted for by Europe declined to 42 % (2013: 43 %). Some western European countries recorded a decline in sales.

At 13.5 %, the strongest organic growth was achieved in Emerging Markets, the division's second-largest region in terms of sales. Consequently, the share of sales generated by the Emerging Markets region increased by two percentage points to 29 %, thereby demonstrating the growing importance of this region. All franchises contributed to the organic sales growth of the division. The main drivers were Erbitux®, Gonal-f® (treatment of infertility) and medications to treat cardiovascular diseases and thyroid disorders. Taking negative currency effects of – 5.3 % into account, sales rose by a total of 8.2 % to € 1,667 million (2013: € 1,540 million).

Sales in North America amounted to € 1,292 million in 2014, which was slightly more than the previous year (2013: € 1,280 million). Rebif® and the Fertility franchise were primarily responsible for the organic sales increase of 1.0 %. Unfavorable foreign exchange effects were responsible for a decline of – 0.1 %. The North America region contributed 22 % to the division's sales (2013: 23 %).

In the Rest of World region, sales grew organically by 5.2 %, mainly powered by the good sales performance of Erbitux® and strong demand for products from the Fertility franchise. Including negative exchange rate effects of – 5.6 %, which were primarily attributable to the Japanese yen, sales totaled € 400 million (2013: € 402 million). Once again, the Rest of World region contributed 7 % to divisional sales.

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SALES COMPONENTS BY REGION – 2014

€ million / change in %	Sales	Organic growth	Exchange rate effects	Acquisitions / divestments	Total change
Europe	2,424.3	–1.4	–0.3	–	–1.7
North America	1,291.9	1.0	–0.1	–	0.9
Emerging Markets	1,666.9	13.5	–5.3	–	8.2
Rest of World	400.2	5.2	–5.6	–	–0.4
Merck Serono	**5,783.3**	**3.6**	**–1.9**	**–**	**1.7**

In 2014, sales of the key products of the Merck Serono division developed as follows:

The drug Rebif®, which is used to treat relapsing forms of multiple sclerosis, only posted a slight organic sales decline in 2014, despite increasing competitive pressure from oral formulations. Amid currency headwinds of –1.2 %, Rebif® sales amounted to € 1,840 million (2013: € 1,865 million). In North America, which generated 53 % of Rebif® sales (2013: 51 %) and is the largest market for this product, sales increased to € 971 million in 2014 (2013: € 956 million). Price increases compensated for lower sales volumes, leading to an organic sales increase of 1.5 %. In Europe, which accounts for 38 % of sales (2013: 40 %) and is the second-largest region for the product, sales of Rebif® declined organically by –6.0 % to € 698 million due to competition (2013: € 745 million). Together, the Emerging Markets and Rest of World regions continued to account for a 9 % share of sales.

In 2014, sales of the oncology drug Erbitux® showed organic growth of 5.9 %. Including the foreign exchange impact of –3.4 %, which primarily stemmed from the Japanese yen and Latin American currencies, sales increased overall by € 22 million to € 904 million (2013: € 882 million). Merck Serono achieved organic growth in all three regions in which it holds the marketing rights. In Europe, the top-selling region for Erbitux® with a share of 56 % (2013: 57 %), sales totaled € 504 million (2013: € 501 million), which includes organic growth of 0.7 % and insignificant negative exchange rate effects. At 18.1 %, the Emerging Markets region generated the strongest organic growth, delivering sales of € 257 million for the division’s oncology drug (2013: € 232 million). This region’s contribution to total Erbitux® sales thus increased to 28 % (2013: 26 %). In the Rest of World region, Erbitux® sales declined slightly to € 144 million (2013: € 149 million), since organic growth of 4.1 % was unable to offset negative foreign exchange effects of –7.7 %. Business developments were positive in Japan, where organic growth amounted to 7.2 %. This was mainly attributable to the approval of Erbitux® in head and neck cancer.

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SALES AND ORGANIC GROWTH OF REBIF® AND ERBITUX® BY REGION – 2014

		Total	Europe	North America	Emerging Markets	Rest of World
Rebif®	€ million	1,839.8	698.0	970.7	138.5	32.6
	Organic growth in %	– 0.2	– 6.0	1.5	21.1	– 0.4
	% of sales	100	38	53	7	2
Erbitux®	€ million	903.7	503.5	–	256.6	143.6
	Organic growth in %	5.9	0.7	–	18.1	4.1
	% of sales	100	56	–	28	16

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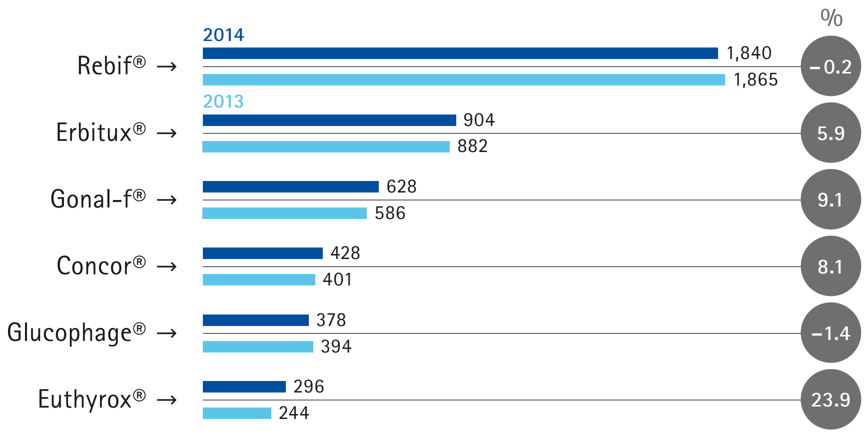
SALES AND ORGANIC GROWTH OF KEY PRODUCTS

€ million / organic growth in %



In 2014, Merck Serono generated organic sales growth of 9.1 % with Gonal-f®, the leading recombinant hormone used in the treatment of infertility. Including adverse foreign exchange effects, sales increased by 7.1 % to € 628 million (2013: € 586 million). Sales of Gonal-f® rose in all regions, with the highest absolute growth achieved in the Emerging Markets region. The other products in the Fertility portfolio also developed positively.

At € 394 million, sales by the Endocrinology franchise, which mainly consists of products to treat metabolic and growth disorders, reached the year-earlier figure. Organic growth of 2.0 % was offset by negative foreign exchange effects. Sales of the growth hormone Saizen®, the top-selling product of this franchise, saw an organic increase of 4.0 % as well as negative foreign exchange effects of – 3.3 %. Consequently, sales amounted to € 237 million (2013: € 235 million).

Merck Serono's General Medicine franchise (including Cardio-Metabolic Care), which consists of products to treat cardiovascular diseases and diabetes, among others, generated organic sales growth of 3.9 %. Including negative foreign exchange effects, sales amounted to € 1,671 million (2013: € 1,643 million). In particular, the organic sales growth of the beta-blocker Concor® and organic sales of products to treat thyroid disorders (Euthyrox®) developed well. The decline in sales of Glucophage®, which is used to treat diabetes, to € 378 million (2013: € 394) was largely due to the impact of negative currency effects in the first half of 2014, as well as supply constraints in Europe.

The results of operations developed as follows:

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RESULTS OF OPERATIONS

	2014		2013[1]		Change	
	€ million	in %	€ million	in %	€ million	in %
Sales	**5,783.3**	**100.0**	**5,688.4**	**100.0**	**94.9**	**1.7**
Royalty, license and commission income	191.7	3.3	372.0	6.5	–180.3	–48.5
Total revenues	**5,975.0**	**103.3**	**6,060.4**	**106.5**	**–85.4**	**–1.4**
Cost of sales[2]	–1,119.7	–19.4	–1,024.4	–18.0	–95.3	9.3
(of which: amortization of intangible assets)[2]	*(–)*		*(–)*		*(–)*	*(–)*
Gross profit[2]	**4,855.3**	**84.0**	**5,036.0**	**88.5**	**–180.7**	**–3.6**
Marketing and selling expenses[2]	–1,780.2	–30.8	–1,813.6	–31.9	33.4	–1.8
(of which: amortization of intangible assets)[2]	*(–552.8)*		*(–596.7)*		*(43.9)*	*(–7.4)*
Royalty, license and commission expenses	–518.3	–9.0	–547.3	–9.6	29.0	–5.3
Administration expenses	–219.7	–3.8	–202.5	–3.6	–17.2	8.5
Research and development costs[2]	–1,343.7	–23.2	–1,178.1	–20.7	–165.6	14.1
(of which: amortization of intangible assets)[2]	*(–1.0)*		*(–)*		*(–1.0)*	*(–)*
Other operating expenses and income	–36.9	–0.6	–501.4	–8.8	464.5	–92.7
Operating result (EBIT)	**956.5**	**16.5**	**793.1**	**13.9**	**163.4**	**20.6**
Depreciation/Amortization/Reversals of impairments	829.5	14.3	993.5	17.5	–164.0	–16.5
(of which: one-time items)	*(4.7)*		*(189.1)*		*(–184.4)*	*(–97.5)*
EBITDA	**1,786.0**	**30.9**	**1,786.6**	**31.4**	**–0.6**	**–**
Restructuring costs	42.5		62.3		–19.8	–31.8
Integration costs/IT costs	2.4		6.2		–3.8	–61.5
Gains/losses on the divestment of businesses	–		–		–	–
Acquisition-related one-time items	–		–		–	–
Other one-time items	–		–		–	–
EBITDA pre one-time items	**1,830.9**	**31.7**	**1,855.1**	**32.6**	**–24.2**	**–1.3**

[1] Previous year's figures have been adjusted, see "The Merck Group" in the Group management report.
[2] The disclosure of amortization of intangible assets (excluding software) has been changed. See "Accounting and measurement principles" in the Notes to the Group accounts.

Royalty, license and commission income, which is reported under total revenues along with sales, dropped substantially in 2014 by –48.5% to € 192 million (2013: € 372 million). This was due primarily to lower royalty and license income from Humira®, Avonex® and Enbrel®. Among other things, the agreement reached with Bristol-Myers Squibb in 2013 on the co-promotion of Glucophage® in China had a slightly positive effect on commission income in comparison with the previous year.

Taking into account the development of sales and total revenues as well as cost of sales, the gross profit of the Merck Serono division fell by € –181 million to € 4,855 million, leading to a gross margin of 84.0% (2013: 88.5%). This decrease was primarily due to lower royalty, license and commission income, but also to stronger sales growth in regions with lower margins as well as isolated production and supply bottlenecks.

The division's research spending ratio increased to 23.2% (2013: 20.7%). In 2014, an assessment of the R&D pipeline took place, leading to a prioritization of research activities and the discontinuation of multiple research projects. Provisions, which increased research and development costs in 2014, were set up for future expenses of the discontinued projects. In addition, investments in the Biosimilars pipeline led to higher research and development costs.

The strong improvement in other operating expenses and income (net) in 2014 mainly reflected the adjustment of provisions for litigation (see also "Other operating income and expenses" in the Notes to the Group accounts), as well as to the reduction in one-time expenses. Other operating expenses and income were affected by higher one-time expenses and impairments of intangible assets in connection with the discontinuation of multiple research projects (see "Intangible assets" in the Notes to the Group accounts).

After eliminating depreciation and amortization, and adjusted for one-time items, EBITDA pre one-time items declined by –1.3 % to € 1,831 million and the EBITDA margin pre one-time items was 31.7 % (2013: 32.6 %).

The development of EBITDA pre one-time items in the individual quarters in comparison with 2013 is presented in the following overview:

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EBITDA PRE ONE-TIME ITEMS AND CHANGE BY QUARTER[1,2]

€ million / change in %

[1] Quarterly breakdown unaudited.
[2] Previous year's figures have been adjusted, see "The Merck Group" in the Group management report.

Development of business free cash flow

In 2014, the Merck Serono division's business free cash flow amounted to € 1,577 million, falling short of the very high level of € 1,787 million in 2013. The decline of € 210 million was attributable to both higher capital spending as well as the development of inventories as well as trade accounts receivable, with foreign exchange effects accounting for the increase in both balance sheet items in 2014.

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BUSINESS FREE CASH FLOW

€ million	2014	2013[1]	Change in %
EBITDA pre one-time items	1,830.9	1,855.1	–1.3
Investments in property, plant and equipment, software as well as advance payments for intangible assets	–229.5	–164.3	39.7
Changes in inventories	–21.8	41.7	–152.0
Changes in trade accounts receivable	–2.4	54.6	–104.4
Business free cash flow	**1,577.2**	**1,787.1**	**–11.7**

[1] Previous year's figures have been adjusted, see "The Merck Group" in the Group management report.

The development of business free cash flow in the individual quarters in comparison with 2013 is presented in the following overview:

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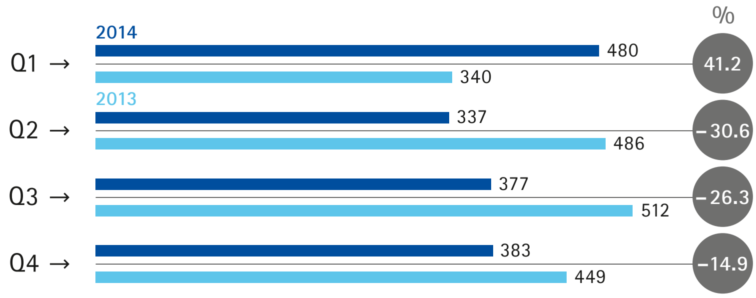
BUSINESS FREE CASH FLOW AND CHANGE BY QUARTER[1,2]

€ million / change in %



[1] Quarterly breakdown unaudited.
[2] Previous year's figures have been adjusted, see "The Merck Group" in the Group management report.