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Merck KGaA, Darmstadt, Germany, Lifts Forecast Following Good Second Quarter

- **Life Science and Healthcare post strong organic growth**
- **Organic sales growth in all regions**
- **Profitability rises thanks to growth and Sigma-Aldrich synergies**
- **Integration of Sigma-Aldrich on track**
- **Merck KGaA, Darmstadt, Germany, raises sales and earnings forecast for 2016 thanks to good business performance**

Darmstadt, Germany, August 4, 2016 – Merck KGaA, Darmstadt, Germany, a leading science and technology company, reported a significant increase in sales in the second quarter of 2016 in comparison with the year-earlier period. EBITDA pre exceptionals also rose sharply. Owing to good business performance in the second quarter, Merck KGaA, Darmstadt, Germany, lifted its forecast for sales and EBITDA pre exceptionals.

"We again achieved everything we aimed for in the second quarter. That applies to both the Sigma-Aldrich integration and the development of new medicines," said Stefan Oschmann, CEO and Chairman of the Executive Board. "Strong demand for our products and dynamic market developments gave our Healthcare and Life Science businesses additional tailwinds. Since particularly in Healthcare our performance in the second quarter was so good, we have decided to lift our forecast for the full year."

Net sales of Merck KGaA, Darmstadt, Germany, rose in the second quarter of 2016 by 18.2% to € 3.8 billion (Q2 2015: € 3.2 billion). Organic sales growth, which was driven by Life Science and Healthcare, amounted to 5.1%. Acquisition-

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Merck KGaA

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related sales growth of 19.2% reflects the Sigma-Aldrich transaction, which closed in November 2015. This was amid negative exchange rate effects of -6.1%, which were mainly due to Latin American currencies. In the second quarter, Merck KGaA, Darmstadt, Germany, grew organically in all reporting regions. As a result of the Sigma-Aldrich acquisition, North America's share of Group sales increased significantly to 26% (Q2 2015: 20%). Europe and Asia-Pacific, which each accounted for a 31% share of Group sales, were the largest reporting regions.

EBITDA pre exceptionals, the key earnings indicator of the Group, climbed by 28.8% to € 1,158 million (Q2 2015: € 899 million) thanks to the good operating performance of Healthcare and Life Science as well as the Sigma-Aldrich acquisition. The **EBITDA margin pre exceptionals** rose to 30.4% (Q2 2015: 27.9%). Despite higher exceptionals in the course of the Sigma-Aldrich acquisition, Group **EBIT** grew by 9.8% to € 550 million (Q2 2015: € 501 million). In the second quarter, the Group's **net income** of € 312 million was -9.1% lower than in the year-earlier period (Q2 2015: € 343 million). This reflected a sharp increase in the negative financial result stemming mainly from the long-term share-based variable compensation program, whose value increased due to the favorable development of the company's share price in the second quarter of 2016. **Earnings per share pre exceptionals** rose in the second quarter of 2016 by 19.2% to € 1.55 (Q2 2015: € 1.30).

Net financial debt, which had increased sharply owing to the Sigma-Aldrich acquisition, decreased slightly to € 12.5 billion as of June 30, 2016 (December 31, 2015: € 12.7 billion) despite dividend payments. Merck KGaA, Darmstadt, Germany, had 50,456 **employees** worldwide on June 30, 2016.

Organic growth in the first half

In the first half of 2016, net sales of the Group increased by 19.3% to € 7.5 billion (January-June 2015: € 6.3 billion). This was due to both acquisition effects (+19.5%) and organic sales increases (+4.9%). Exchange rate movements lowered sales by -5.1% in the first half and were primarily attributable to Latin American currencies.

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EBITDA pre exceptionals of the Group amounted to € 2.2 billion in the first half of 2016 (January-June 2015: € 1.8 billion). This represented an increase of 27.9% over the first half of 2015. Earnings per share pre exceptionals climbed by 27.2% to € 3.09 in the first half of 2016 (January-June 2015: € 2.43).

Healthcare delivers organic growth in all regions

In the second quarter of 2016, sales by the Healthcare business sector showed strong organic growth of 7.3%, to which all regions contributed. This was canceled out by negative foreign exchange effects of -9.0%. In addition, the return of the rights to Kuvan to BioMarin Pharmaceutical lowered sales by -1.0%. Consequently, Healthcare net sales decreased by -2.7% in the second quarter of 2016 to € 1.8 billion (Q2 2015: € 1.8 billion).

Organically, sales of **Rebif**, which is used to treat relapsing forms of multiple sclerosis, were flat in the second quarter of 2016, despite competitive pressure from oral formulations. Including currency headwinds of -4.2%, Rebif sales amounted to € 441 million (Q2 2015: € 461 million). In the second quarter, Merck KGaA, Darmstadt, Germany, generated organic sales growth of 6.8% with the oncology drug **Erbix**. Including negative foreign exchange effects of -7.2%, Erbix sales were stable at € 232 million (Q2 2015: € 233 million). With the fertility treatment **Gonal-f**, Merck KGaA, Darmstadt, Germany, achieved very strong organic sales growth of 23.1%, which was primarily attributable to North America. In this region, the Group benefited from an advantageous competitive situation. Including negative exchange rate effects, sales grew by € 209 million (Q2 2015: € 177 million).

EBITDA pre exceptionals of the Healthcare business sector rose in the second quarter by 16.1% to € 557 million (Q2 2015: € 480 million). This was due not only to good organic performance, but also to a gain of around € 30 million on the sale of a minority interest held by the Group's Venture Fund. Against this background, the EBITDA margin pre exceptionals of Healthcare improved significantly in the second quarter to 31.8% (Q2 2015: 26.6%).

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Life Science doubles EBITDA pre exceptionals

The Life Science business sector generated a strong organic sales increase of 8.1% in the second quarter of 2016. Life Science thus achieved the highest organic growth rate of all of the Group's business sectors, benefiting from sustained demand for its products from the biopharmaceutical industry. In addition to organic growth, the acquisition of Sigma-Aldrich lifted sales by 79.7%. However, exchange rate effects lowered sales by -2.8%. In the second quarter of 2016, sales by the Life Science business sector thus rose overall by 85.0% to € 1.4 billion (Q2 2015: € 773 million).

The Process Solutions business area, which markets products for the entire pharmaceutical production value chain, delivered strong organic sales growth of 13.5%. The Research Solutions business area, which focuses on academia and pharmaceutical research institutions, reported organic sales growth of 3.2%. Applied Solutions, which serves clinical and diagnostic testing laboratories as well as the food and environmental industries, achieved an organic sales increase of 3.9%.

EBITDA pre exceptionals of the Life Science business sector soared by 108.6% to € 417 million in the second quarter (Q2 2015: € 200 million). The EBITDA margin pre exceptionals of Life Science improved to 29.1% (Q2 2015: 25.9 %).

"The doubling of Life Science's EBITDA pre exceptionals reflects not only our strong organic growth, but also the Sigma-Aldrich acquisition synergies, which we are leveraging with focus and resolve," said Stefan Oschmann. "And we will not let up before we fully realize our synergy objectives for 2018."

Performance Materials maintains profitability in a difficult market environment

In the second quarter, net sales of the Performance Materials business sector declined organically by -4.7%, mainly owing to destocking by display industry customers. In addition, negative exchange rate effects of -2.0% were incurred. The SAFC Hitech business of Sigma-Aldrich, which has been integrated into the Performance Materials business sector, made a positive impact with a 3.1%

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contribution to sales. Sales by Performance Materials thus declined by -3.5% to € 621 million (Q2 2015: € 643 million).

The Display Materials business unit saw an organic decrease in sales owing to the continued volume declines of mature liquid crystal technologies as well as destocking by customers, a development that will extend into the second half of the year. By contrast, the innovative liquid crystal technology UB-FFS grew further. The Integrated Circuit Materials business unit, which includes the business with materials used to manufacture integrated circuits and the SAFC Hitech business of Sigma-Aldrich, generated solid organic sales growth. The Pigments & Functional Materials business unit delivered very strong organic growth in comparison with a weak year-earlier quarter. Within the Performance Materials business sector, the highest growth rates were achieved by the Advanced Technologies business unit. This was primarily due to the expanding business with OLED materials. A new OLED materials production unit in Darmstadt involving an investment of around € 30 million is to be commissioned in September 2016 to manufacture materials for ultra-modern displays and lighting. Moreover, Merck KGaA, Darmstadt, Germany, is planning to construct a new production facility for liquid crystal window modules for around € 15 million; manufacturing is scheduled to begin in 2017. Merck KGaA, Darmstadt, Germany's objective is to expand its market and technology leadership in liquid crystals beyond applications in displays.

In the second quarter, EBITDA pre exceptionals of Performance Materials amounted to € 273 million (Q2 2015: € 295 million). With an EBITDA margin pre exceptionals of 44.1%, the profitability of Performance Materials was the highest among all the business sectors.

Group lifts forecast

Owing to the good business performance in the second quarter, Merck KGaA, Darmstadt, Germany, is lifting its forecast and now expects Group net sales to increase to between € 14.9 billion and € 15.1 billion in 2016 (previous forecast: € 14.8 billion to € 15.0 billion). Organically, Merck KGaA, Darmstadt, Germany, predicts net sales to increase moderately in 2016 (previous forecast: slightly). In addition, owing to the acquisition of Sigma-Aldrich, the company continues to

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expect a portfolio-related net sales increase in the low double-digit percentage range. This will still be countered by negative foreign exchange effects that are forecast to range between -3% and -5% and are mainly due to the currency devaluations in Latin America. Owing to the good business performance, especially in the Healthcare business sector, Merck KGaA, Darmstadt, Germany, is also raising its forecast for EBITDA pre exceptionals, which is now expected to range between € 4,250 million and € 4,400 million for 2016 (previous forecast: € 4,100 million to € 4,300 million). Business free cash flow of the Group is expected to be between € 3,140 million and € 3,250 million in 2016.

Forecast for FY 2016

<i>€ million</i>	Net sales	EBITDA pre exceptionals	Earnings per share pre exceptionals
Group	14,900 – 15,100	~4,250 – 4,400	€ 5.85 – € 6.10
Healthcare	Solid organic growth, slightly negative portfolio effect due to the divestment of Kuvan	~ 1,950 – 2,050	
Life Science	Organic growth in the mid to high single-digit percentage range, portfolio effect in the high double-digit percentage range due to the acquisition of Sigma-Aldrich	~ 1,620 – 1,670	
Performance Materials	Moderate decline	~ 1,100 – 1,150	
Corporate and Other	-	~-370 – -400	

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Group - Key figures

€ million	Q2 2016	Q2 2015	Change in %	Jan.- June 2016	Jan.- June 2015	Change in %
Net sales	3,805	3,219	18.2	7,470	6,261	19.3
Operating result (EBIT)	550	501	9.8	1,399	981	42.6
Margin (% of net sales)	14.5	15.6		18.7	15.7	
EBITDA	1,069	845	26.6	2,351	1,650	42.5
Margin (% of net sales)	28.1	26.2		31.5	26.4	
EBITDA pre exceptionals	1,158	899	28.8	2,242	1,752	27.9
Margin (% of net sales)	30.4	27.9		30.0	28.0	
Profit after tax	314	346	-9.1	907	631	43.8
Earnings per share (€)	0.72	0.79	-8.9	2.08	1.44	44.4
Earnings per share pre exceptionals (€)	1.55	1.30	19.2	3.09	2.43	27.2
Net income	312	343	-9.1	903	625	44.4
	June 30, 2016	Dec. 31, 2015				
Net financial debt	12,510	12,654	-1.1			

The **teleconference** for media representatives will also be webcast live as of 9:30 a.m. (CET) (in [English](#) and [German](#)).

- The respective **charts** as well as further information for journalists including a **digital press kit** can be found [here](#).
- The report on the first quarter of 2016 can be found [here](#)
- Merck KGaA, Darmstadt, Germany, on [Facebook](#), [Twitter](#), [LinkedIn](#)
- **Photos and video footage** can be found [here](#)
- **Stock symbols**

Reuters: MRCG, Bloomberg: MRK GY, Dow Jones: MRK.DE

Frankfurt Stock Exchange: ISIN: DE 000 659 9905 – WKN: 659 990

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Merck KGaA, Darmstadt, Germany, is a leading science and technology company in healthcare, life science and performance materials. Around 50,000 employees work to further develop technologies that improve and enhance life – from biopharmaceutical therapies to treat cancer or multiple sclerosis, cutting-edge systems for scientific research and production, to liquid crystals for smartphones and LCD televisions. In 2015, Merck KGaA, Darmstadt, Germany, generated sales of € 12.85 billion in 66 countries.

Founded in 1668, Merck KGaA, Darmstadt, Germany, is the world's oldest pharmaceutical and chemical company. The founding family remains the majority owner of the publicly listed corporate group. Merck KGaA, Darmstadt, Germany, holds the global rights to the Merck KGaA, Darmstadt, Germany, name and brand. The only exceptions are the United States and Canada, where the company operates as EMD Serono, MilliporeSigma and EMD Performance Materials.